



BAC BANCA
AGRICOLA
COMMERCIALE
Istituto Bancario Sammarinese



BALANCE SHEET

2015





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BANK OFFICERS

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BOARD OF DIRECTORS

Luigi Lonfernini
PRESIDENT

Emanuele Rossini
VICE PRESIDENT

Pier Paolo Fabbri
CHIEF EXECUTIVE OFFICER

COUNCILORS

Fabio Albertazzi

Giancarlo Protti

Riccardo Cervellini

Maria Grazia Scapinelli

Cesare Farsetti
(appointed from Shareholders Board on 10/02/2016)

STATUTORY AUDITORS

Gian Enrico Casali
PRESIDENT

Maria Stefania Gatti

Alberto Vaglio

GENERAL MANAGEMENT

Pier Paolo Fabbri
CHIEF EXECUTIVE OFFICER AND GENERAL MANAGER

Riccardo Cervellini
ASSISTANT GENERAL MANAGER

Pier Paolo Navarra
VICE GENERAL MANAGER

Sandro Spadoni
VICE GENERAL MANAGER

SHAREHOLDERS' MEETING

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SHAREHOLDERS' MEETING

On Wednesday 27 April – first meeting at 4.30 p.m. **and second meeting at 5.30 p.m.**, venue: meeting room – BANCA AGRICOLA COMMERCIALE – Istituto Bancario Sammarinese, Via 3 Settembre, 316 – 47891 Dogana, will hold the

SHAREHOLDERS' MEETING: to discuss the following AGENDA

- 1 Reports of the Board of Directors and the Board of Auditors; presentation of the financial statements as of 31 December 2015 and relevant decisions;
- 2 Approval of the merger between Banca Agricola Commerciale S.p.A. (incorporating) and Banca per lo Sviluppo di San Marino S.p.A. (incorporated) in compliance with articles 89 and subsequent of Law no. 47 of 23 February 2006;
- 3 Appointment of the Auditing Firm;
- 4 Determination of the amount to be given for charity and for social, religious and cultural initiatives.

In accordance with Article 16 of Articles of Association:

"Only shareholders who are registered in the shareholders register at least five days before the date fixed for the first meeting are entitled to attend the meeting."

In accordance with Article 20 of Articles of Association:

"The meeting is duly constituted when it is attended by enough members who represent, in person or by proxy:

- at least 65% of the share capital at first meeting;
- at least 50% of the share capital at second meeting.

At first and second meeting, the Shareholders' Meeting shall decide by a majority vote of the shares represented at the meeting.

-----omissis-----"

San Marino, 24 March 2016

The President of the Board of DirectorS
Avv. Luigi Lonfernini

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REPORT OF THE BOARD OF DIRECTORS ON 2015 FINANCIAL STATEMENTS





REPORT OF THE BOARD OF DIRECTORS ON 2015 FINANCIAL STATEMENTS

In 2015 the global economic activity remained contained, the growth of emerging and developing markets, while still representing over 70% of the world's growth, decreased for the fifth year in a row, and a modest recovery continued in advanced economies.

Three are the transition factors that influenced the global economic activity in 2015 and keep affecting its outlook in the medium term: i) the gradual slowdown and rebalancing of the economic activity in China as part of a process of transition to a development model based more on household consumption and therefore less dependent on the traditional drivers for growth (exports and investments) and driven by market forces; ii) a reduction in the prices of energy and other raw materials and iii) the start of a gradual process of normalization of the monetary policy in the United States diverging from the still expansive trend held by the central banks of other advanced economies.

After the sharp decline observed in the first quarter, world trade stagnated in the following months: in 2015 the total trade exchange in the emerging countries of Asia continued to suffer from the weakness of China's flows, while in advanced economies trade dynamics were supported by those of the Euro zone and the United States.

The forecasts of the International Monetary Fund¹ foreshadow a growth rate in 2015 for the world trade of + 3.2%, - 0.1% compared to 2014.

The estimated growth in GDP at constant prices (hereinafter real GDP²) for the world economy in 2015 is +3.1%, three tenths of a point less than in 2014 (+3.4%) and expectations equal to +3.4% in 2016.

The prospects are improving slightly in advanced countries, while they remain uncertain and subject to risks in China and other emerging economies.

The growth rate for advanced economies is estimated at +2%: for the Euro Zone the expected rate is +1.5% and for the US +2.6%.

1) *World economic outlook, October 2015.*

2) *Gross Domestic Product is the monetary value of all the finished goods and services produced within a country borders in a specific time period.*

In the major emerging economies, the economic situation was generally weak, with trends considerably varying within countries: the intensification of the recession in Brazil contrasts with the positive evolution of the economic situation in India and the easing of the product fall in Russia.

In the second quarter of 2015 and in the following months, the macroeconomic picture in emerging economies was dominated by the slowdown in China, which contributed to weakening international commodity prices, with negative effects on the growth of the largest exporters that are most affected by the weakening of the Chinese demand.

While China and India are expected to grow in 2015 by +6.8% and +7.3% respectively, Latin America is expected to undergo a contraction of -0.3%, especially due to the difficulties experienced by the Brazilian economy (-3%).

Overall, emerging economies are estimated to grow for the current year by +4.0%, well below 5% in 2013 and 4.6% in 2014.

Weak oil prices throughout 2015 have decreased sharply since September and fell below their lowest point since 2008 at the end of the first decade of January 2016, to around 32 Dollars per barrel.

This performance was affected by the decision of OPEC to abandon the strategy followed since 1992 to set an agreed production target.

The organization of petroleum exporting countries thus expressed its willingness not to halt the fall in prices in a context in which a gradual increase in supply by Iran was also expected after the lifting of international sanctions.

Even the prices of non-energy commodities continued to fall.

Consumer price inflation remained at very low levels in all major advanced countries.

In 2015 the trend in consumer prices amounted to +0.2% in the Euro zone and +0.1% in the United States. With reference to the main emerging countries, inflation developments appeared more diversified: inflation remained low in China (+1.5%), consistent with the objective of the central bank in India (+5.4%); high in Russia (+15%); growing further in Brazil (+10.5%).

At its meeting held on 15 and 16 December, the Federal Open Market Committee (hereinafter FOMC) of the Federal Reserve (hereinafter also Fed) decided to raise the target rate range by +25 basis points target on the federal funds (scissor rate: 0.25-0.50 percent), thus starting the normalization of the monetary policy.

This decision marked the first rise in US money market key interest rates since 2006 and represented the exit from the zero-rate policy that had been adopted in December 2008.

The FOMC's decision, widely expected since the end of October, had little impact on international financial and currency markets.

The increase in key rates was primarily motivated by the significant improvement in employment; the FOMC also noted that monetary conditions remained accommodating and would continue to promote the strengthening of the labor market and the return of inflation towards the medium term objective. Among other major advanced economies, the central banks of Europe, Japan and the UK did not change their guidelines, which remained highly expansionary.

In the summer months the divergence between the monetary policies of the major emerging countries increased, the monetary policy became more accommodating in China, Russia and India and more restrictive in Brazil.

China's central bank cut both its key interest rates and the compulsory reserve ratio of banks; it injected liquidity to support purchases of securities on the stock market and sold foreign reserves to contain the depreciation of the Renminbi.

In Brazil, given the continued strong inflationary pressures, the central bank raised its benchmark rate again in July.

In the other emerging countries, the reference rates were unchanged.

In the Euro zone, growth continued but remained weak: the rapid weakening of the boost in exports was gradually offset by the positive contribution from domestic demand; however, risks for the economic activity derived from the uncertainty on the evolution of the world economy and the geopolitical situation.

The recovery was broadly in line with forecasts, with a stronger than expected growth in Italy and especially in Ireland and Spain, which offset a weaker than expected growth in Germany.

For 2015, the IMF estimated a real GDP growth rate of 1.5% for the Euro zone as a whole: +1.5% for Germany, 0.8% for Italy.

The confidence of businesses and households, supported by favorable employment signals, indicated a continuation of the recovery.

The Paris attacks last November seem to have had contained effects on the confidence of households and businesses in the area as a whole.

Conversely, a negative impact on GDP growth was caused by the uncertainty factor emerged at the end of September from the possible repercussions of the test manipulation on diesel engine emissions, which undermined the credibility of German carmaker Volkswagen and was reflected on the index of confidence of the leading analysts about the prospects for growth in Germany.

In the Euro zone, consumer price inflation remained very low, and the weakness of the consumer price index continued to suffer the effect of the fall in oil prices: the inflation rate estimated by the IMF for 2015 amounted to +0.2 % for the Euro zone and +0.2% for Italy.

The ECB's bond purchase program was proving effective in supporting economic activity in the Euro zone, but the global conditions were slowing the return of inflation to levels in line with the objective of price stability.

At its meeting on 3 December 2015 the Governing Council of the ECB increased the monetary stimulus with a package of measures including the reduction by -10 bps of the rate on banks' deposits with the Eurosystem taken to -0.30% and the extension of the QE program by a further six months (until at least March 2017); moreover, it expanded the range of eligible securities, including bonds issued by regional and local public governments.

The Governing Council also stated that it would intensify the use of the instruments available to the extent that this is necessary to ensure the sustainable return of inflation to levels consistent with price stability.

The reduction of interest rates on deposits with the Eurosystem was reflected in a similar change in the Eonia overnight rate, which reached its lowest value (-0.244%) in December and gradually affected the other yields of the monetary market.

During the year, the Eonia rate, which was already negative at the beginning of 2015, recorded an average of -0.108% and an e.o.p. value all through December 2015 of -0.127%.

The 3-month Euribor was on average equal to -0.020% with an e.o.p. value all through December 2015 of -0.131%.

All through December 2015, the funds awarded to the banking system of the area through targeted longer-term refinancing operations (TLTRO) totaled 418 billion (118 to Italian banks).

Overall, the cash held by banks with the Eurosystem in excess of the reserve requirements increased to 660 billion from 517 in mid-October, helping to keep monetary market rates at very low levels.

The expansionary operations conducted by the ECB continued to support the flow of credit to the private sector and to reduce its cost.

In the three months ending in November, lending to non-financial companies recorded a further increase: +1.8% on an annual basis; the growth of loans to households remained stable at +1.9%.

San Marino macroeconomic scenario.

As for the Republic of San Marino, in December 2015 the rating agency Fitch confirmed the long-term evaluation of San Marino "BBB+" with "stable" Outlook.

Over the past six years, the San Marino economy has had to deal with both the global crisis and the radical changes suffered by its "financial center".

According to IMF estimates, in 2015 real GDP would register its first growth in six years (+1%). Growth benefited from the mild Italian economic recovery (+0.8%) on which the economic system of the republic is still strictly dependent; conversely, it was hampered by the expansion of the tourism industry that was affected by the recession of a key market such as the Russian one.

As in the whole Euro zone, inflationary pressures remained contained: +0.4%.

In 2015 the financial system also had to handle the event related to the Voluntary Disclosure, expired in November. According to estimates by the Italian Ministry of Economy and Finance (hereinafter "MEF") the contribution of the Republic of San Marino amounted to 1,131 million.

In this context of radical changes and exogenous shocks the finance industry of San Marino is trying to transition into a more sophisticated and internationally competitive financial model.

The agreement with Italy against double taxation, which allowed the exit from the Italian tax black list³, and the OECD multilateral agreement on automatic exchange of information, Common Reporting Standard, signed by San Marino in October 2014 and which sees it among the countries defined as Early Adopters, represented two important "steps" in the direction towards a suitable financial system for international standards.

3) The exit from the Italian tax black list came after the entry into force of the treaty against double taxation in February 2014 and confirmed by the MEF in December 2014.

However, the process of transition to a more sophisticated financial model is not yet completed. The weak "foreign demand" is also reflected in the lack of competitiveness of the country, which in 2015 held the position number 78 (out of 189 countries) in the ranking compiled by the World Bank⁴ "The ease of doing business".

Another element that characterizes the current economic situation is represented by the deterioration of credit quality: according to system statistics published by BCRSM the bad loans / loans ratio amounting to 2.1% in 2008 rose to 19.7% in September 2015, with a constantly increasing trend due to the continuing crisis also in the productive and commercial sector.

In this framework the BAC Group expresses a contained default rate of 8.60% (net bad loans / net loans) remaining, in the context of credit supply, a reference player for households and businesses.

This ratio falls to 4.82% if we analyze the estate collaterals set to guarantee these loans.

Macroeconomic scenarios (changes and percent points)	Real GDP			Inflation			Unemployment		
	2014	2015	2016	2014	2015	2016	2014	2015	2016
World	3,4	3,1	3,6	...	...	...	...	...	...
Advanced countries	1,8	2,0	2,2	1,4	0,3	1,2	...	...	...
USA	2,4	2,6	2,8	1,6	0,1	1,1	6,2	5,3	4,9
Euro Zone	0,9	1,5	1,6	0,4	0,2	1,0	11,6	11,0	10,5
Germany	1,6	1,5	1,6	0,8	0,2	1,2	5,0	4,7	4,7
France	0,2	1,2	1,5	0,6	0,1	1,0	10,3	10,2	9,9
Italy	-0,4	0,8	1,3	0,2	0,2	0,7	12,7	12,2	11,9
Spain	1,4	3,1	2,5	-0,2	-0,3	0,9	24,5	21,8	19,9
Japan	-0,1	0,6	1,0	2,7	0,7	0,4	3,6	3,5	3,5
Great Britain	3,0	2,5	2,2	1,5	0,1	1,5	6,2	5,6	5,5
San Marino	-1,0	1,0	1,1	1,1	0,4	0,9	8,7	8,4	7,9
Emerging countries	4,6	4,0	4,5	5,1	5,6	5,1	...	...	...
China	7,3	6,8	6,3	2,0	1,5	1,8	4,1	4,1	4,1
India	7,3	7,3	7,5	5,9	5,4	5,5	...	...	...
Russia	0,6	-3,8	-0,6	7,8	15,8	8,6	5,2	6,0	6,5
Brazil	0,1	-3,0	-1,0	6,3	8,9	6,3	4,8	6,6	8,6
World trade (1)	3,3	3,2	4,2	...	...	...	...	...	...

Source: IMF, World Economic Outlook, October 2015.

(1) Goods and services.

4) The ranking includes a total of 189 countries, see www.doingbusiness.org

SAN MARINO LAWS AND REGULATIONS AND COMPLIANCE ACTIVITY.

During 2015 the BAC Compliance Function adjusted internal regulations, procedures and processes to the evolution of San Marino regulatory framework, which is increasingly complex, in line with international standards, even in the field of taxation.

During the year the San Marino institutions took steps to enact legislation aiming to align the Republic to international standards, a process started in previous years with the intention of reaching an international tax cooperation in line with the OECD standards (Common Reporting standard, Global standard, FATCA) culminated with the enactment of Law no. 174 of 27 November 2015 "International Tax Cooperation" entered into force on 12/12/2015, giving effect to international agreements signed by the Republic of San Marino, including:

- the Multilateral Convention on mutual administrative assistance in tax matters signed in Jakarta on 21/11/2013 (MAC)
- the bilateral agreements aimed at ensuring the exchange of information according to the OECD standards (TIEA)
- the agreement with the European Community providing for measures equivalent to those laid down in Directive 2003/48/EC on taxation of savings income in the form of interest payments. In addition to Delegated Decree no. 186 of 17 December 2015 the provisions of Law no. 81 of 25/05/2005 were repealed: the Ecofin withholding applies to interest payments made up to 31/12/2015.

At the same time, in order to comply with the provisions on the processing of personal data in line with international guidelines, Regulation no. 20 was issued by the Central Bank on 30/12/2015 for the protection of personal data implementing the exchange of information in tax matters.

Also worthy of note, to complete the review of the financial and tax system in the name of full transparency and operational correctness, is the entry of the Titan in the Italian tax white list in December 2014 and in May 2015 also in the AML white list with "MEF Decree no. 108 of 10/04/2015 published in the Official Gazette on 12.05.2015" including San Marino in the list of equivalent countries for anti-money laundering purposes.

Particular interest in the banking sector is aroused by the new rules adopted in the field of financial operations, dematerialization of securities and minimum reserves with Decree-Law no. 198 of 30/12/2015. As regards financing of terrorism, the legislator intervened by Decree Law no. 47 of 10 April 2015 introducing "Urgent provisions to combat terrorism" and Decree Law no. 197 of 30/12/2015 which provides for additional restrictive measures and reporting obligations for the obliged parties.

In support of the economy and businesses in difficulty, Decree-Law no. 106 of 3 July 2015 was approved imposing urgent provisions for solving the temporary crisis of businesses.

During the year, the reform of the land registry and the rules on the value of cadastral surveys were enacted through Law no. 2 of 23 January 2015 and new provisions relating to subsidized housing (Law no. 44 of 31/03/2015) and subsidized credit to businesses (Delegated Decree no. 33 of 20/3/2015) were issued reforming industry regulations by establishing the maximum interest rates applicable to custo-

mers, determined with following Delegated Decree no. 129 of 31/07/2015.

Finally, worthy of note are legislative measures on taxation: the amendment of some articles of the tax reform enacted in 2013 with respect to income tax (Law no. 166 of 16 December 2013), the reorganization and updating of stamp duties (Delegated Decree no. 56 of 28 April), the exemptions for new business activities (Delegated Decree no. 52 of 20/4/2015), the recalculation of the purchase values of investments and financial instruments (Delegated Decree no. 40 of 30/03/2015) and the extension of the deadline for the income and withholding tax return (Decree Law no. 117 of 24/07/2015).

The regulatory production of the Supervisory Authority appears tight to ensure international compliance of Authorized Subjects to carry out banking, financial and insurance activities and aimed at assessing the main weaknesses of the banking and financial system of San Marino. Central Bank issued: Regulation no.2015-01 "Regulation on information supervision for banks", which aims to consolidate and codify standards relating to regulatory reporting in a single regulatory source, as well as to qualify the roles and responsibilities of corporate structures, administrative bodies and independent auditors, establishing the supervisory reporting manager and the operational contact person for every single supervisory report; Circular no.2015-01 on "Monthly information requirements to banks concerning the statement of accounts (monthly statement of accounts of banks)".

During the year, Circular 2015/02 was issued on information obligations in the field of risk database, which determines information flows that the authorized entities must periodically report to the Supervisory Authority for providing the credit risk centralizing service pursuant to article 50 of LISF.

Regulation no. 2015/02 on the "National payment system" was enacted introducing:

- the adaptation of the national payment system to SEPA provisions which, in line with the Community framework, came into force on 1 February 2016;

- amendments to Regulation 2014/04 implementing the Community Directive on Payment Services in the Republic of San Marino, uniting in a single organic measure the prudential rules applicable to the execution of payment services and electronic money issuing services. The provisions are intended to implement the Community acquis, already partially started with the SEPA Regulation, with particular regard to the European Directives:

- no.2007/64/EC of 13 November 2007 (so-called PSD)

- no. 2009/110/EC of 16 September 2009 (so-called IMEL Directive)

as well as to Regulation (EC) no.924/2009 of 16 September 2009.

Finally, Regulation no. 2015/03 "Miscellany of interventions designed to review current supervisory provisions" amended and uniformed the requirements of integrity and professionalism of the company representatives and the ownership structure of banks, holding companies, trusts, insurance companies and management companies. This regulation imposes rules on contractual relations with customers and transparency, with particular regard to the procedures for complaints and dispute resolution, usury and prudential supervision.

It is noted that on 10/07/2015 the Financial Intelligence Agency issued guidelines for obliged parties on

the subject of "voluntary disclosure" aimed at supporting them in fulfilling the "anti-money laundering obligations" envisaged by the Law and by the Instructions issued by FIA, with particular reference to the voluntary tax compliance program adopted by the Italian Republic (so-called "Voluntary Disclosure") implementing Instruction 2013/04.

Central Bank Regulations

External regulations	Central Bank
Regulation no. 2015_01 Information supervision for banks	Changes to information supervision-Reporting manager – Allocation of responsibilities on information obligations
Regulation no. 2015_02 National payment system	National payment system
Regulation no. 2015_03 Miscellany of interventions designed to review current supervision provisions	Changes to Verification of Integrity and professionalism requirements of Banks and Holding Companies, Contractual relations with customers, transparency, usury, Holding term for assets acquired for debt collection, deduction from regulatory capital
Circular no. 2015_01 Monthly information requirements to banks concerning the statement of accounts (monthly statement of accounts of banks)	Monthly information requirements to banks concerning the statement of accounts
Circular no. 2015_02 Information requirements in the field of risk database	Information requirements in the field of risk database

Main legal provisions in San Marino system

External regulations	Laws and Decrees
Law no. 2 of 23/01/2015 Reform of land registry	New provisions on land registry and values of cadastral surveys
Delegated Decree no. 20 of 24/02/2016 (ratification of DD no. 182 of 15 December 2015)	Amendment to Law no. 166 of 16 December 2013 –General income tax IGR
Delegated Decree no. 25 of 27/02/2015	Increase in flat-rate fee of deductible charges–amendments to DD no. 11 of 28/01/2014 as amended
Delegated Decree no. 33 of 20/03/2015 Amendment to DD no. 93 of 24/07/2013	"Provisions on subsidized credit to businesses"
Delegated Decree no. 40 of 30/03/2015 Extension of the deadline envisaged by paragraph 4, first period art. 6 of DD no. 213 of 5/12/2014	Recalculation of purchase values of investments and financial instruments
Law no. 44 of 31/03/2015 Provisions on subsidized housing	Reform of law on subsidized housing
Delegated Decree no. 52 of 20/04/2015 Amendments to title IV of Law 166/2013 General income tax	Exemptions for new business activities
Delegated Decree no. 56 of 28/04/2015 Reorganization and updating of stamp duties	Review of fiscal discipline on stamp duties
Parliamentary Decree no. 58 of 29/04/2015 Ratification of the Convention on the protection from the automatic treatment of personal data	Amendment to the privacy legislation upon the entry into force of the Strasbourg Convention signed by EU countries also for the exchange of information
Delegated Decree no. 62 of 05/05/2015 Application discipline of occasional and accessory work	Application discipline of occasional and accessory work
Law no. 67 of 11/05/2015 Law on multi-annual expenditure for the construction of infrastructure and public works referred to in art. 62 of Law 219/2014	Definition of the amount and terms of the medium- and long-term financing provided for by the financial law
Decree-Law no. 83 of 05/06/2015 Urgent provisions to combat terrorism	Ratification of DL no. 47 of 10/04/2015. Amendment to Law 92/2008 in the definition of terrorism art. 1 paragraph 1 letter p)
Decree Law no. 106 of 3 July 2015	Urgent provisions for solving the temporary crisis of businesses
Decree Law no. 117 of 24/07/2015 Decree Law no. 66 of 11/05/2015 Extraordinary extension of the deadline for the income and withholding tax return	Extension to 31/08/2015 of the deadline for the income and withholding tax return
Delegated Decree no. 129 of 31/7/2015 Definition of maximum interest rates applied to loans secured by state contribution	Maximum interest rates applied to loans secured by state contribution

Law no. 174 of 17/11/2015	INTERNATIONAL TAX COOPERATION (CRS/OCSE)
Delegated Decree no. 186 of 17/12/2015	Taxation of savings income in the form of interest payments to residents in the European Union (Ecofin)
Law no. 189 of 22/12/2015	Provisional budgets of the state and public bodies for the financial year 2016 and multi-year financial statements 2016/2018 (Financial Law)
Regulation no. 20 of 30/12/2015	Technical regulation for the protection of personal data implementing the exchange of tax information
Delegated Decree no. 196 of 30/12/2015	Administrative violations
Decree Law no. 197 of 30/12/2015	Amendments to the legislation on preventing and combating money laundering and terrorist financing – amendments to Law no. 92 of 17/6/2008 as amended
Decree Law no. 198 of 30/12/2015	Urgent provisions on financial operations, dematerialization of securities, ROB

Dear Shareholders,

in 2015 Banca Agricola Commerciale was authorized by Central Bank, in conjunction with other San Marino banking partners, to create a "San Marino Payment Institute" pursuant to Reg.2014/4, which will provide operating payment and electronic money services. On 19/11/2015, it set it up and recorded under investments 0.090 million, equal to 20% of the share capital held jointly with the other three partner banks. This will allow the banking system to independently manage the operational processes for the management of credit cards, POS and ATM with potential positive effects in terms of greater operational autonomy and commercial development, expanding and completing the range of services offered to customers.

Furthermore, on 12/04/2015, the Supervisory Authority granted approval to the acquisition of a 25% stake in the company Centro Servizi s.r.l., still in partnership with the three main banks in San Marino: the company's main business will consist in the performance of IT activities with particular reference to the production, development, maintenance and marketing of application software, service management activities related to the use of electronic payment instruments, trade and rental of computer hardware; it is also the technological manager, in the exclusive form of the SMAC Card; it will be established in early 2016 and will generate operating and commercial synergies with TP@YSPA.

Finally, in accordance with article 28 of Law no. 160 of 03/11/2015, real estate for business purposes relating to owned regional branches recorded in the register of depreciable assets as at 31/12/2014 was revaluated. The revaluation is supported by appropriate sworn appraisals by professionals enrolled in San Marino books and was approved in the meeting of 18/12/2015. The balance corresponding to the revalued assets was set aside in a special reserve to be used exclusively to cover future losses or to increase share capital. The balance of the revaluation was subject to taxation on income with the system of 3% separate taxation since the surplus was greater than EUR 5 million and precisely equal to EUR 11.173. The tax paid for EUR 0.335 million was accounted in for reduction of the revaluation reserve fund amounts in the budget deficit and the reserve therefore amounted to EUR 10.838. At the foot of these notes are the sworn appraisals while the table below sets out the details of the properties involved in the transactions described above.

Description	Assets remaining as at 31 Dec 2014	sworn appraisal	Revaluation	input tax	Revaluation reserve
OWN PROPERTY BORGO MAGGIORE, Via Oddone Scarito, 13	312.412	1.500.000	1.187.588	35.628	1.151.961
OWN PROPERTY SAN MARINO CITTA' CENTRO STORICO Contrada del Collegio, 19	352.922	920.000	567.078	17.012	550.065
OWN PROPERTY DOGANA Piazza Marino Tini, 26	1.000.337	5.280.000	4.279.663	128.390	4.151.274
OWN PROPERTY DOGANA VIA III Settembre, 316	6.972.426	11.900.000	4.927.574	147.827	4.779.747
OWN PROPERTY Tavolucci Via XXVIII Luglio, 212	824.723	880.000	55.277	1.658	53.619
OWN PROPERTY BRANCH World Trade Center, Via Consiglio dei Sessanta, 99	712.506	794.000	81.494	2.445	79.049
OWN PROPERTY BRANCH CITY Via Piana, 5	825.532	900.000	74.468	2.234	72.234
	11.000.857	22.174.000	11.173.143	335.194	10.837.949

The scope of Bac Group also includes: BAC Fiduciaria spa – wholly owned, operating in the trust sector and the main insurance Company of San Marino law, San Marino Life spa, acquired for the entire share capital during 2012 – for which BAC has also acted as a broker since 2009, when the company was founded.

BAC Group also controls IBS Immobiliare srl, founded in 2011 by IBS for the management of assets, and especially real estate; IBS Rent srl, a company previously controlled by IBS Leasing and operating in the rental sector, was placed in voluntary liquidation in 2014 and is expected to be settled in the current year.

Management report

GENERAL PRINCIPLES FOR THE PREPARATION OF THE MANAGEMENT REPORT

The Management Report is intended to ensure a correct, true and clear representation of the economic-financial situation in terms of form and content. It provides information in accordance with the preparation basis of the concise statement of assets and liabilities and profit and loss account, which are connected in a timely manner to the statutory ones. The Report includes a few tables (Main data, reclassified financial statement schemes) and comments on the “Results for the year”.

Main data

Profit and loss account data

PROFIT AND LOSS ACCOUNT	31/12/2015	31/12/2014	CHANGE	
			ABSOLUTE	%
Interest margin	20.688.895	18.558.111	2.130.783	11,48 %
Commission income	5.053.611	5.216.614	- 163.003	- 3,12 %
Profits and losses on financial transactions	- 3.289.600	7.445.733	- 10.735.333	- 144,18 %
Revenues from intermediation	3.553.946	14.034.923	- 10.480.976	- 74,68 %
Intermediation margin	24.242.841	32.593.034	- 8.350.193	-25,62 %
Personnel expenses	- 11.018.234	- 10.863.041	- 155.193	1,43 %
Administrative expenses	- 5.436.464	- 5.644.756	208.292	- 3,69 %
Tangible and intangible asset adjustments	- 2.276.925	- 2.736.063	459.137	- 16,78 %
Operating costs	- 18.731.624	- 19.243.860	512.236	- 2,66 %
Operating result	5.511.217	13.349.175	- 7.837.957	- 58,71 %
Provisions and net adjustments on credits and financial assets	- 3.157.440	- 12.246.131	9.088.691	- 74,22 %
Margin on investment securities	667.165	2.951.093	- 2.283.928	- 77,39 %
Tax on income	- 769.144	- 920.358	151.213	100 %
Result for the year	2.251.798	3.133.779	881.981	28,14 %

Balance sheet data

BALANCE SHEET DATA	31/12/2015	31/12/2014	CHANGE	
			ABSOLUTE	%
Total assets	1.102.324.914	1.271.851.407	- 169.526.494	- 13,33 %
Loans to customers	648.488.038	729.949.081	- 81.461.042	- 11,16 %
- of which impaired loans	154.965.895	149.979.308	4.986.586	3,32 %
Financial assets	162.457.109	208.043.876	- 45.586.767	- 21,91 %
Amount due to customers and outstanding securities	881.449.893	1.028.065.534	- 146.615.641	- 14,26 %
- of which amounts due	494.741.977	541.226.530	- 46.484.553	- 8,59 %
- of which outstanding securities	386.707.916	486.839.004	- 100.131.088	- 20,57 %
Interbank net position (including securities)	108.706.960	134.934.817	- 26.227.857	-19,44 %
Net equity (including net result)	95.228.881	82.025.053	13.203.828	16,10 %

Financial assets of customers

FINANCIAL ASSETS OF CUSTOMERS	31/12/2015	31/12/2014	CHANGE	
			ABSOLUTE	%
Total financial assets	1.541.757.827	1.730.998.202	- 189.240.375	- 10,93%
Direct deposits	795.065.278	925.928.172	- 130.871.894	- 14,13 %
Amounts due to customers at sight	420.387.897	454.386.809	- 33.998.912	- 7,48 %
Outstanding securities	373.818.400	471.031.400	97.213.000	- 20,64 %
Term deposits	849.981	509.963	340.018	66,68 %
Indirect deposits and third-party asset managements	746.701.549	805.070.029	- 58.368.481	- 7,25 %
- administered saving	319.372.841	361.717.726	- 42.344.885	- 11,71 %
- managed saving:	427.328.708	443.352.304	- 16.023.596	- 3,61 %
- common investment funds	68.225.341	54.275.604	13.949.737	- 25,70 %
- stock insurance bank	269.029.281	286.566.928	- 17.537.647	- 6,12 %
- third-party asset managements	90.074.085	102.509.771	- 12.435.686	- 12,13 %

MAIN INDICATORS		
	31/12/2015	31/12/2014
<i>Structure data</i>		
Number of employees e.o.p.	148	150
Number of branches	12	12
MAIN INDICATORS		
	31/12/2015	31/12/2014
<i>Credit risk ratios</i>		
Net non-performing loans/Net loans to customers	8,60 %	9,26 %
Net doubtful loans/Net loans to customers	23,18 %	19,74 %
Coverage on total loans	5,34 %	5,22 %
MAIN INDICATORS		
	31/12/2015	31/12/2014
<i>Supervisory capital and ratios</i>		
Supervisory capital	87.205.973	76.733.303
Weighted risk assets	572.599.241	663.612.907
Supervisory capital/Weighted assets (total capital ratio)	15,23 %	11,56 %
Total assets	1.102.324.914	1.271.851.407
PROFITABILITY INDICATORS		
	31/12/2015	31/12/2014
Interest margin/Intermediation margin	85,34 %	56,94 %
Service margin/Intermediation margin	20,85 %	16,01 %
cost/income ratio	77,27 %	59,04 %
Operating result/Intermediation margin	22,73 %	40,96 %
Leverage (medium assets/medium equity)	11,58 %	15,51 %
ROA e.o.p.	0,20 %	0,25 %
ROE e.o.p.	2,36 %	3,82 %

Reclassified financial statement schemes

RECLASSIFIED ASSETS			CHANGE		Composition	Composition
	31/12/2015	31/12/2014	ABSOLUTE	%	31/12/2015	31/12/2014
Reclassified						
Cash and cash equivalents	4.503.305	4.246.425	256.880	6,05 %	0,41 %	0,33 %
Loans to banks	111.159.539	156.431.790	- 45.272.251	- 28,94 %	10,08 %	12,30 %
Loans to customers	648.488.038	729.949.081	- 81.461.042	- 11,16 %	58,83 %	57,39 %
Financial assets	162.457.109	208.043.876	- 45.586.767	- 21,91	14,74 %	16,36%
Shareholdings	11.847.546	10.634.463	1.213.083	11,41 %	1,07 %	0,84 %
Tangible assets	70.068.226	53.377.248	16.690.978	31,27 %	6,36 %	4,20 %
Intangible assets	2.585.452	2.821.259	- 235.807	- 8,36 %	0,23 %	0,22 %
Other assets	91.215.698	106.347.265	- 15.131.567	- 14,23 %	8,27 %	8,36 %
Total assets	1.102.324.914	1.271.851.407	-169.526.494	-13,33 %	100,00 %	100,00 %

IL PASSIVO PATRIMONIALE RICLASSIFICATO			CHANGE		Composition	Composition
	31/12/2015	31/12/2014	ABSOLUTE	%	31/12/2015	31/12/2014
Reclassified						
Amounts due to banks	2.452.579	21.496.973	- 19.044.393	- 88,59 %	0,22 %	1,69 %
Amounts due to customers	494.741.977	541.226.530	- 46.484.553	- 8,59 %	44,88 %	42,55 %
Payables represented by securities	386.707.916	486.839.004	- 100.131.088	- 20,57%	35,08 %	38,28 %
Provisions for risks and charges	4.042.230	4.095.937	- 53.707	- 1,31 %	0,37 %	0,32 %
Non-adjusting provision for risks on credits	0	0	0	-	0,00 %	0,00 %
Other liabilities	99.120.930	116.087.355	- 16.966.425	- 14,62 %	8,99 %	9,13 %
Subordinate liabilities	20.030.402	20.080.556	- 50.154	-	1,82 %	1,58 %
Net equity	95.228.881	82.025.053	13.203.828	16,10 %	8,64 %	6,45 %
- Capital and reserves	92.977.083	80.570.237	12.406.846	15,40 %	8,43 %	6,33 %
- Retained losses	0	- 1.678.963				
- Result for the year	2.251.798	3.133.779	- 881.981	- 28,14 %	0,20 %	0,25 %
Total liabilities	1.102.324.914	1.271.851.407	-169.526.494	-13,33 %	100,00 %	100,00 %

RECLASSIFIED PROFIT AND LOSS ACCOUNT	31/12/2015	% Margin	31/12/2014	% Margin	CHANGE	
		intermed.		intermed.	ABSOLUTE	%
Reclassified						
Interest income and similar charges	30.827.647	127,16 %	33.373.677	102,40 %	- 2.546.031	- 7,63 %
<i>of which: a) Interest income to customers</i>	25.209.158	103,99 %	29.111.963	89,32 %	- 3.902.804	- 13,41 %
<i>b) Interest income to banks</i>	349.813	1,44 %	501.183	1,54 %	- 151.370	-30,20 %
<i>c) Interest income on debt securities</i>	5.268.675	21,73 %	3.760.532	11,54 %	1.508.143	40,10 %
Interest expense and similar charges	- 11.091.002	- 45,75 %	- 15.634.996	- 47,97 %	4.543.993	- 29,06 %
<i>of which: a) Interest expense to customers</i>	-2.040.999	- 8,42 %	- 1.976.393	- 6,06 %	-64.606	3,27%
<i>b) Interest expense on payables represented by securities</i>	- 9.034.505	- 37,27 %	- 13.609.781	- 41,76 %	4.575.277	- 33,62 %
<i>c) Interest expense to banks</i>	- 15.499	- 0,06 %	- 48.821	- 0,15 %	33.322	- 68,25 %
Interest margin	19.736.644	81,41 %	17.738.682	54,42 %	1.997.962	11,26 %
Dividends and other revenues	952.250	3,93 %	819.430	2,51 %	132.821	16,21 %
Financial margin	20.688.895	85,34 %	18.558.111	56,94 %	2.130.783	11,48 %
Net commissions	5.053.611	20,85 %	5.216.614	16,01 %	- 163.003	- 3,12 %
<i>of which: a) commission income</i>	6.037.335	24,90 %	6.253.758	19,19 %	- 216.423	- 3,46 %
<i>b) commission expense</i>	- 983.724	- 4,06 %	- 1.037.143	- 3,18 %	53.420	- 5,15 %
Profits and losses on financial transactions	- 3.289.600	- 13,57 %	7.445.733	22,84 %	- 10.735.333	- 144,18 %
<i>of which: a) on securities</i>	- 3.905.550	- 16,11 %	7.092.893	21,76 %	- 10.998.442	- 155,06 %
<i>b) on exchanges</i>	615.950	2,54 %	352.840	1,08 %	263.109	74,57 %
Other net revenues	1.789.935	7,38 %	1.372.575	4,21 %	417.360	30,41 %
Service margin	3.553.946	14,66 %	14.034.923	43,06 %	- 10.480.976	- 74,68 %
Intermediation margin	24.242.841	100,00 %	32.593.034	100,00 %	- 8.350.193	- 25,62 %
Operating costs	- 18.731.624	- 77,27 %	- 19.243.860	- 59,04 %	512.236	- 2,66 %
<i>of which: a) Personnel expenses:</i>	- 11.018.234	- 45,45 %	- 10.863.041	- 33,33 %	- 155.193	1,43 %
<i>b) Other administrative expenses:</i>	- 5.436.464	- 22,43 %	- 5.644.756	- 17,32 %	208.292	- 3,69 %
<i>c) Tangible and intangible asset adjustments</i>	- 2.276.925	- 9,39 %	- 2.736.063	- 8,39 %	459.137	- 16,78 %
Operating result	5.511.217	22,73 %	13.349.175	40,96 %	- 7.837.957	- 58,71 %
Provisions and net adjustments on credits	- 3.157.440	- 13,02 %	-12.246.131	- 37,57 %	9.088.691	- 74,22 %
Provisions for risks and charges		- 11,92 %		0,00 %	0	- 13,79 %
Financial asset adjustments		0,00 %		0,00 %	n.d.	n.d.
Income from operations	2.353.777	9,71 %	1.103.043	3,38 %	1.250.734	113,39 %
Extraordinary profit (loss)	667.165	2,75 %	2.951.093	9,05 %	- 2.283.928	- 77,39 %
Variation of the General banking risk fund (+/-)	0		0	0,00 %		
Tax on income	- 769.144	- 3,17 %	- 920.358	- 2,82 %	151.213	100,00 %
Result for the year	2.251.798	9,29 %	3.133.779	9,61 %	- 881.981	- 28,14 %

RESULTS FOR THE YEAR.

Main results and performance for the period

Profit and loss account

Operating result structure

(The tables refer to the reclassified profit and loss account).

The Profit and Loss Account for the year 2015 ended with a profit of EUR 2.252 million compared to EUR 3.133 million in 2014.

The analysis of the data about the year 2015 shows that the profit of ordinary assets at the end of December 2015 amounted to 2.353 million, increasing by 1.250 million. The performance of the Operating Result compared to December 2014 basically depends on a significant reduction in adjustments to loans largely carried out in previous years (-3.157 million 2015 –12.246 million 2014), by a good performance of the net interest income due to a careful analysis of the pricing on customers, despite the rates are at historic lows and by the containment of operating costs for 0.512 million; the intermediation margin was negative, -8.350 million.

The policies needed to counter the economic crises that has been affecting the economic scenario of San Marino for several years and the difficulties faced by private economic operators of the Republic, imposed BAC net provisions and adjustments to loans which were quite huge in the past, as explained above, not deemed necessary for the year 2015, which however conservatively recorded a provision for -3.157 million, while extraordinary income includes gains from the sale and redemption of securities, included in the remaining investment portfolio for 0.497 million, as the algebraic sum of the disposal of investment securities and their hedging IRS derivative. The dynamics of the financial margin, while reflecting the negative evolution of interest rates now fallen to historic lows, register an increase of 1.997 million compared to the year 2014 (+11.26%). This phenomenon is associated with the decrease in the cost of funding, resulting in policies aimed at aligning deposit rates with the International monetary market combined with the decrease in collecting masses. Conversely, the interest income showed a decline, partly due to the valuation loss that reverberated on profitability from ordinary operations, still increasing compared to 2014, attributable to the containment of operating costs in terms of operating expenses of the company.

The inclusion of the Republic of San Marino in the so-called Italian whitelist, with Ministerial Decree of the MEF dated 09/01/2015 "Countries with agreements allowing information exchange", added another piece towards the exit from economic isolation and represented a chance for BAC to expand its business.

Financial Margin

The financial margin amounted to 20.688 million compared to 18.558 million in 2014. The margin represents the balance between net interest equal to 19.736 million and dividends for 0.952 million wholly deriving from companies of the Group. In 2014 these items were equal to 17.738 million and 0.819 million respectively.

The balance of net interest records a surge of 1.997 million compared to the previous year (+11.26%). The positive increase is to be considered of absolute importance taking into account the dynamics of the financial market which, as mentioned in the introduction, sees Euribor continuing its decline also in 2015.

As far as dividends are concerned, the component related to the companies of the Group is equal to 0.952 million which shows an increase compared to last year due to the dividend contribution of San Marino Life for 0.812 million rising to 0.112 million and for the contribution of BAC Fiduciaria Spa for 0.063, decreasing by 0.046 million compared to 2014, while 0.075 consists of the 2014 dividend accounted for cash by SSIS Spa 50% held with Cassa di Risparmio Spa. The remainder derives from the dividend drawn by Banca Centrale decreasing by 0.001 million.

FINANCIAL MARGIN	31/12/2015	31/12/2014	CHANGE		% INCIDENCE ON INTEREST MARGIN	
			ABSOLUTE	%	31/12/2015	31/12/2014
Interest income on loans to customers	25.209.158	29.111.963	- 3.902.804	- 13,41 %	121,85 %	156,87 %
Interest expense on amounts due to customers	- 1.538.634	- 1.976.393	437.759	- 22,15 %	- 7,44 %	- 10,65 %
Interest expense on payables represented by securities (CD bonds)	- 9.034.505	- 13.166.221	4.131.716	- 31,38 %	- 43,67 %	- 70,95 %
ORDINARY CUSTOMER MARGIN	14.636.019	13.969.348	666.671	4,77 %	70,74 %	75,27 %
Interest income on debt securities	5.268.675	3.760.532	1.508.143	40,10 %	25,47 %	20,26 %
Interest expense on payables represented by securities (pct)	- 502.365	- 443.560	- 58.804	13,26 %	- 2,43 %	- 2,39 %
FINANCIAL INVESTMENT MARGIN	4.766.311	3.316.972	1.449.339	43,69 %	23,04 %	17,87 %
BANKING MANAGEMENT MARGIN	19.402.330	17.286.320	2.116.009	12,24 %	93,78 %	93,15 %
Interest income on credit institutions	349.813	501.183	- 151.370	- 30,20 %	1,69 %	2,70 %
Interest expense on credit institutions	- 15.499	- 48.821	33.322	- 68,25 %	- 0,07 %	- 0,26 %
INTERBANK MARGIN	334.315	452.362	- 118.047	- 26,10 %	1,62 %	2,44 %
Dividends and other revenues	952.250	819.430	132.821	16,21 %	4,60 %	4,42 %
FINANCIAL MARGIN	20.688.895	18.558.111	2.130.783	11,48 %	100,00 %	100,00 %

Intermediation Margin

PROFIT AND LOSS ACCOUNT	31/12/2015	31/12/2014	CHANGE		% INCIDENCE ON INTERMEDIATION MARGIN	
			ABSOLUTE	%	31/12/2015	31/12/2014
Interest margin	19.736.644	17.738.682	1.997.962	11,26%	81,41%	54,42%
Dividends and other revenues	952.250	819.430	132.821	16,21%	3,93%	2,51%
Intermediation revenues and other	3.553.946	14.034.923	-10.480.976	-74,68%	14,66%	43,06%
Intermediation margin	24.242.841	32.593.034	-8.350.193	-25,62%	100,00%	100,00%

At the end of December 2015 the intermediation margin amounted to 24.243 million, with a decrease of -8.350 million (-25.62%) in the annual comparison. The analysis of the tables below shows that the decrease is mainly due to the negative performance of profits and losses on financial transactions, due to the composition of our free securities portfolio, consisting primarily of government-issued securities with a short duration that see their listing go down as the deadline approaches. The interest margin contributes with 81.41% to the formation of the intermediation margin and is quite positive thanks to the reduction in interest expense; the contribution of dividends of the companies included in BAC Bank Group also increases.

This trend, while not growing, if read in the aforementioned microeconomic context, reveals the attention and professionalism of the entire BAC facility in managing the severe crisis that continued throughout 2015, worsened in the financial sector by the phenomenon of Voluntary Disclosure; on the other hand, the Euro zone economy is showing tentative signs of recovery, although fragile and supported by ECB monetary policy, aimed at giving support to companies with low rates policies with unconventional measures taken already since 2015.

The commission margin, while showing a slight decline of -3.12%, remains good despite the reduction of collection masses. A strong increase, conversely, is recorded by other income +30.41% with an absolute change of 0.417 million.

Intermediation margin

INTERMEDIATION REVENUES AND OTHER	31/12/2015	31/12/2014	CHANGE		% INCIDENCE ON SERVICE MARGIN	
			ABSOLUTE	%	31/12/2015	31/12/2014
Net commissions	5.053.611	5.216.614	-163.003	-3,12%	142,20%	37,17%
Commission income	6.037.335	6.253.758	-216.423	-3,46%	169,88%	44,56%
- <i>guarantees given</i>	165.639	182.759	-17.120	-9,37%	4,66%	1,30%
- <i>management services, intermediation, cons.</i>	3.539.018	3.459.384	79.634	2,30%	99,58%	24,65%
of which managed saving (common funds and managements)	1.364.909	1.226.271	138.637	11,31%	38,41%	8,74%
of which placement, trading, security custody	1.827.205	1.923.178	-95.974	-4,99%	51,41%	13,70%
of which financial activity	71.905	89.843	-17.938	-19,97%	2,02%	0,64%
of which insurance bank	275.000	220.092	54.908	24,95%	7,74%	1,57%
- <i>currency trading</i>	441.267	649.795	-208.527	-32,09%	12,42%	4,63%
- <i>other services</i>	1.891.410	1.961.819	-70.409	-3,59%	53,22%	13,98%
of which current accounts	430.166	472.107	-41.941	-8,88%	12,10%	3,36%
of which portfolio	367.211	369.767	-2.557	-0,69%	10,33%	2,63%
of which collection and payment services	920.614	937.644	-17.031	-1,82%	25,90%	6,68%
of which loans granted	143.420	152.300	-8.880	-5,83%	4,04%	1,09%
Commissioni passive	-983.724	-1.037.143	53.420	-5,15%	-27,68%	-7,39%
- <i>collection and payment services</i>	-195.178	-262.952	67.774	-25,77%	-5,49%	-1,87%
- <i>management services, intermediation, cons.</i>	-628.951	-586.327	-42.624	7,27%	-17,70%	-4,18%
- <i>currency trading</i>	-44.127	-45.273	1.146	-2,53%	-1,24%	-0,32%
- <i>other services</i>	-115.467	-142.590	27.123	-19,02%	-3,25%	-1,02%
Profits and losses on financial transactions	-3.289.600	7.445.733	-10.735.333	-144,18%	-92,56%	53,05%
On securities:	-3.905.159	7.015.665	-10.920.825	-155,66%	-109,88%	49,99%
- security trading	-1.277.680	7.714.075	-8.991.755	-116,56%	-35,95%	54,96%
- security valuation	-2.627.479	-698.410	-1.929.069	-276,21%	-73,93%	-4,98%
- currency trading	615.559	430.068	185.491	43,13%	17,32%	3,06%
Operating income and charges	1.789.935	1.372.575	417.360	30,41%	50,36%	9,78%
Other revenues	1.513.547	1.289.240	224.307	17,40%	42,59%	9,19%
Expense recovery	276.388	83.335	193.053	231,66%	7,78%	0,59%
SERVICE MARGIN	3.553.946	14.034.923	-10.480.977	-74,68%	100,00%	100,00%

Operating result

PROFIT AND LOSS ACCOUNT	31/12/2015	31/12/2014	CHANGE	
			ABSOLUTE	%
Intermediation margin	24.242.841	32.593.034	-8.350.193	-25,62%
Spese amministrative	-16.454.698	-16.507.797	53.098	-0,32%
- Personnel expenses	-11.018.234	-10.863.041	-155.193	1,43%
- General expenses	-5.436.464	-5.644.756	208.292	-3,69%
Tangible and intangible asset adjustments	-2.276.925	-2.736.063	459.137	-16,78%
Total operating costs	-18.731.624	-19.243.860	512.236	-2,66%
OPERATING RESULT	5.511.217	13.349.175	-7.837.957	-58,71%

OPERATING COSTS

At the end of December 2015 the total operating costs amounted to 18.731 million, showing a decrease compared to the same period of the previous year equal to 0.512 million (-2.66%).

Personnel expenses, amounting to 11.018 million, increased in comparison with the same period of 2014 for about 0.155 million (+1.43%). This trend was mainly due to the recording of the production premium, while no provisions were made for the Bonus System – namely one-off premiums to be granted to employees depending on the achievement of objectives.

The evolution of the staff, which amounted to 148 resources as at 31/12/2015, shows a decrease of 2 resources from the previous year, as a result of resignation.

Other administrative expenses record in 2015 a value of 5.436 million, decreasing by 0.208 million (-3.69%) compared to the same period of the previous year. This decrease is attributable to a policy of reduction of structural costs and the streamlining of the organizational policy.

Tangible and intangible asset adjustments amounted to 2.276 million, decreasing by 0.459 million compared to 2.736 million in 2014. They were calculated based on their residual possibility of utilization and coincided with the tax amortization coefficients imposed by the new tax reform under Law 166/2013.

Net adjustments/write-backs for impairment of loans, guarantees and commitments

At the end of December 2015 the net adjustments on loans and provisions for guarantees and commitments amounted to 3.157 million, decreasing by 74.22% compared to the same period of 2014, confirming that the prudential policies of provision made in 2013 and 2014 totaling 22 million were not necessary in the year just concluded. We also point out the presence of an additional provision for risks on credits for 1.457 million, already set up in the previous years to face potential risks deriving from pending lawsuits and proceedings.

It should be noted that non-performing loans were determined as required by the legislation in force (BCSM Regulation 2007/07).

For a detailed analysis on the dynamics of the so-called “credit quality” see the appropriate paragraph of this Report.

Net operating result

The net operating result is positive for 2.353 million, increasing by 1.251 million compared to the 1.103 million margin in 2014.

Extraordinary revenues and charges

The bank recorded extraordinary revenues amounting to 3.904 million and extraordinary charges for 3.237 million. It should be noted that extraordinary revenues include 2.824 million resulting from the sale of securities included in the portfolio of assets owned, collections on loss positions, 0.197 million for fund claims and revocation discharge for closed positions and 0.500 million for closures of receivable balances that cannot be claimed by law any longer. The extraordinary charges include 2.327 million for discharge losses IRS operations on immobilized portfolio securities sold, 0.800 million for closures of liabilities no longer due and 0.050 million for extinctions of customer relationships.

Income tax

The tax rate is same as 25.46% and is an expression of counting of payable taxes in compliance with tax standards.

It should also be noted that BAC benefits from tax credit of about EUR 5.742 million, resulting from the Decree-Law 174/2011 relating to the in-bulk acquisition of legal relations by a bank in compulsory administrative liquidation.

Net profit

For explanatory purposes, the table below shows the reclassified steps that lead from the operating result to the net profit (loss), compared with 2014 data.

PROFIT AND LOSS ACCOUNT	31/12/2015	31/12/2014	CHANGE	
			ABSOLUTE	%
OPERATING RESULT	5.511.217	13.349.175	-7.837.957	-58,71%
PROVISIONS AND VALUE ADJUSTMENTS	-3.157.440	-12.246.131	9.088.691	-74,22%
- Provisions and value adjustments on credits	-3.157.440	-12.246.131	9.088.691	-74,22%
- Provisions for risks and charges	0	0	n.d.	n.d.
- Financial asset adjustments	0	0	n.d.	n.d.
INCOME ON OPERATIONS	2.353.777	1.103.043	1.250.734	113,39%
Margin on investment securities	497.108	2.059.684	-1.562.576	100,00%
Extraordinary revenues	1.080.860	1.247.821	-166.961	-13,38%
Extraordinary charges	-910.802	-356.412	-554.390	155,55%
Extraordinary revenue and charge balance and margin on investment securities	667.165	2.951.093	-2.283.928	-77,39%
Profit before tax	3.020.942	4.054.136	-1.033.194	-25,48%
Tax on income	-769.144	-920.358	151.213	100,00%
Net result	2.251.798	3.133.779	-881.981	-28,14%

The year 2015 ended with a net profit of 2.251 million, compared to the net profit registered at the end of December 2014 amounting to 3.133 million.

STATEMENT OF ASSETS AND LIABILITIES

Loans to customers

Net loans to customers as at 31 December 2015 amounted to 668.578 million, decreasing by 91.300 million in comparison with the end of 2014.

LOANS TO CUSTOMERS	CHANGE				COMPOSITION %	
	31/12/2015	31/12/2014	ABSOLUTE	%	31/12/2015	31/12/2014
Customer current accounts	149.404.328	169.147.477	-19.743.150	-11,67%	21,15%	21,10%
of which current account advances	45.017.984	55.672.281	-10.654.297	-19,14%	6,37%	6,94%
Loans/V pay assignment	292.774.124	308.050.404	-15.276.280	-4,96%	41,45%	38,42%
of which						
unsecured	115.954.360	129.926.952	-13.972.591	-10,75%	16,42%	16,21%
mortgage	110.419.858	106.390.469	4.029.389	3,79%	15,63%	13,27%
soft	66.399.906	71.732.983	-5.333.077	-7,43%	9,40%	8,95%
Non-performing loans (net of advances)	76.125.129	93.472.472	-17.347.343	-18,56%	10,78%	11,66%
Total Foreign Loans	26.102.644	53.413.974	-27.311.330	-51,13%	3,70%	6,66%
of which						
FinImport Euro	15.334.920	25.983.951	-10.649.031	-40,98%	2,17%	3,24%
FinImport Currency	1.025.221	2.399.170	-1.373.949	-57,27%	0,15%	0,30%
FinExport Euro	6.071.594	5.618.832	452.763	8,06%	0,86%	0,70%
FinExport Currency	223.586	237.284	-13.698	-5,77%	0,03%	0,03%
Currency loans	1.542.322	17.269.737	-15.727.415	-91,07%	0,22%	2,15%
Euro customer loans	1.905.000	1.905.000	-	0,00%	0,27%	0,24%
Leasing	154.439.563	166.928.341	-12.488.778	-7,48%	21,87%	20,82%
of which						
fixed	148.734.477	160.043.735	-11.309.258	-7,07%	21,06%	19,96%
investment	5.705.086	6.884.607	-1.179.520	-17,13%	0,81%	0,86%
intangible	-	-	-	-	-	-
Other	7.451.021	10.697.202	-3.246.182	-30,35%	1,05%	1,33%
Total loans	706.296.809	801.709.871	-95.413.062	-11,90%	100,00%	100,00%
Endorsement loans	22.136.593	36.371.499	-14.234.906	-39,14%	3,13%	4,54%
Total loans	728.433.402	838.081.370	-109.647.969	-13,08%	103,13%	104,54%
Ex Credito Sammarinese loans	10.891.094	10.891.094	-	nn	1,54%	1,36%

LOANS TO CUSTOMERS	CHANGE				COMPOSITION %	
	31/12/2015	31/12/2014	ABSOLUTE	%	31/12/2015	31/12/2014
Total gross loans	706.296.809	801.709.871	-95.413.062	-11,90%	100,00%	100,00%
Outstanding loans	515.839.884	611.895.945	-96.056.061	-15,70%	73,03%	76,32%
Impaired assets	190.456.925	189.813.926	642.998	0,34%	26,97%	23,68%
Value adjustments	37.719.307	41.830.733	-4.111.425	-9,83%	5,34%	5,22%
Loans net of adjustments	668.577.501	759.879.139	-91.301.637	-12,02%	94,66%	94,78%

BAC group appears to be a leading market player for families and companies thanks to its capital strength and the quality of assets, since it is characterized by a non-performing/performing loans ratio equal to 8.60% decreasing in comparison to last year of 0.73%.

The strict classification and impairment policies of receivables led to a stabilization of the impaired loans. It is also stressed that BAC in addition to have carried out the analytical value adjustments, boasts real estate collateral warranties which guarantee a high coverage equal to 70,13% of this impaired loans.

figures in millions of euro

	Gross impaired loans	Value adjustments	Property collaterals	Net impaired loans	Coverage
Non-performing	76,13	18,61	44,67	12,84	83,13%
Bad	83,41	10,98	53,41	19,02	77,20%
Restructured	18,00	5,83		12,17	32,38%
Past due	12,39	0,07		12,32	0,57%
At-risk countries	0,53	0,00		0,53	0,15%
Total	190,46	35,49	98,08	56,88	70,13%

Credit Quality

As better explained in the appropriate paragraph of the Explanatory Notes, the monitoring of credits and the activities related to the preliminary examination of debtors' solvency represent basic elements of the credit policy of BAC S.p.A.

In this regard, it should be noted that as far as the management and recovery of non-performing loans, the Bank makes use of a particularly qualified facility that guarantees punctuality and attention to impaired loans.

The protraction of the crisis that is affecting the international economic system and, in particular, the national and the Italian ones, and the resulting difficulty in debtors' capacity to repay their exposures, also affect the success of credits granted. Also during 2015 non-performing positions were carefully classified, by assessing debtors' situations and their relevant credit worth prudently and diligently, also considering the serious external reference context. In this context, the ratio of non-performing loans (in gross values), however, decreased as at 31/12/2015 by 10.78% of total loans to customers (11.66% at the end of 2014); impaired positions are slightly increased by switching to 11.81% (9.26% at the end of 2014).

As far as performing loans ("in bonis") are concerned, which amounted to 515.839 million at nominal value as at 31/12/2015 (611.895 million as at 31/12/2014), prudential value adjustments were made for a total amount of 2.227 million, also defined to acknowledge the so-called "physiological risk" and are an expression of the write-down made according to difficulty situation in debt service by the countries

where debtors are resident, taking into account the negative economic trends regarding homogeneous loan categories, such as the sector of economic activity. Moreover, in the absence of adequate time series that could have ensured the necessary degree of statistical strength, the devaluation was carried out and determined prudently by the administrative bodies

On the whole, therefore, the total loans to customers stood at nominal 706.296 million, in the face of which value adjustments were constituted for 37.718 million, which raise the general coverage of loans to customers to 5.34% (it was 5.22% as at 31/12/2014).

To complete the explanation, the following summary tables are displayed with the reconstructed data for the years 2015 and 2014.

LOANS TO CUSTOMERS – CREDIT QUALITY

LOANS TO CUSTOMERS – CREDIT QUALITY	CHANGES				COMPOSITION %	
	31/12/2015	31/12/2014	ABSOLUTE	%	31/12/2015	31/12/2014
Total gross loans	706.296.809	801.709.871	-95.413.062	-11,90%	100,00%	100,00%
Provisions for risk on credits	37.719.307	41.830.733	-4.111.425	-9,83%	5,34%	5,22%
loss forecasts	35.491.030	39.834.618	-4.343.588	-10,90%	5,02%	4,97%
analytical and flat-rate value adjustments	37.719.307	41.830.733	-4.111.425	-9,83%	5,34%	5,22%
Accrued interest value adjustments	0,00	0,00	0,00	0,00%	0,00%	0,00%
Total loans net of Provisions for risk on credits	668.577.501	759.879.139	-91.301.637	-12,02%	94,66%	94,78%
Loans net of non-performing loans	630.171.680	708.237.400	-78.065.720	-11,02%	89,22%	88,34%
Non-performing/performing loans	10,78%	11,66%				
Non-performing loans net of advances	76.125.129	93.472.472	-17.347.343	-18,56%	10,78%	11,66%
loss forecasts	18.613.794	22.582.975	-3.969.181	-17,58%	2,64%	2,82%
analytical value adjustments	18.613.794	22.582.975	-3.969.181	-17,58%	2,64%	2,82%
coverage ratio	24,45%	24,16%				
non-performing loans net of value adjustments	57.511.335	70.889.496	-13.378.162	-18,87%	8,14%	8,84%
Total impaired loans	83.412.486	74.264.739	9.147.748	12,32%	11,81%	9,26%
loss forecasts	10.979.052	10.937.085	41.967	0,38%	1,55%	1,36%
analytical value adjustments	10.979.052	10.937.085	41.967	0,38%	1,55%	1,36%
coverage ratio	13,16%	14,73%				
impaired loans net of value adjustments	72.433.434	63.327.653	9.105.781	14,38%	10,26%	7,90%
Total past due loans	12.387.166	2.537.315	9.849.851	388,20%	1,75%	0,32%
loss forecasts	70.325	253.732	-183.407	-72,28%	0,01%	0,03%
analytical value adjustments	70.325	253.732	-183.407	-72,28%	0,01%	0,03%
coverage ratio	0,57%	10,00%				
past due loans net of value adjustments	12.316.841	2.283.583	10.033.259	439,36%	1,74%	0,28%
Total restructured loans	17.998.560	18.747.044	-748.484	-3,99 %	2,55%	2,34%
Total past due loans	5.827.047	6.060.115	-233.068	-3,85 %	0,83%	0,76%
analytical value adjustments	5.827.047	6.060.115	-233.068	-3,85 %	0,83%	0,76%
flat-rate value adjustments	32,38%	32,33%				
restructured loans net of value adjustments	12.171.513	12.686.929	-515.416	-4,06 %	1,72%	1,58%
Total loans to at-risk countries	533.584	792.357	-258.773	-32,66%	0,08%	0,10%
loss forecasts	813	711	103		0,00%	0,00%
flat-rate value adjustments	813	711	103	14,43%	0,00%	0,00%
coverage ratio	0,15%	0,09%				
loans to at-risk countries net of value adjustments	532.771	791.646,64	-258.876	-32,70%	0,08%	0,10%
Total faulty loans	190.456.925	189.813.926	642.998	0,34%	26,97%	23,68%
loss forecasts	35.491.030	39.834.618	-4.343.588	-10,90%	5,02%	4,97%
value adjustments	35.491.030	39.834.618	-4.343.588	-10,90%	5,02%	4,97%
coverage ratio	18,63%	20,99%				
faulty loans net of value adjustments	154.965.895	149.979.308	4.986.586	3,32%	21,94%	18,71%
Total performing loans	515.839.884	611.895.945	-96.056.061	-15,70%	73,03%	76,32%
value adjustments	2.228.277	1.996.115	232.163	11,63%	0,32%	0,25%
coverage ratio	0,43%	0,33%				

ADMINISTERED VALUES


Total deposits amounted to 1.541 million, with a huge decrease (-10.93%) in comparison with the end of 2014. The following table shows the financial resources of customers as at 31/12/2015 divided by technical form and included in the aggregates of direct and indirect deposits compared to 2014 BAC data.

CUSTOMERS' DEPOSITS AND SECURITIES



FINANCIAL RESOURCES OF CUSTOMERS <i>(amounts in Euro)</i>	CHANGES				COMPOSITION %	
	31/12/2015	31/12/2014	ABSOLUTE	%	31/12/2015	31/12/2014
A) Direct deposits						
Savings deposits	4.846.582	5.538.274	-691.692	-12,49%	0,31%	0,32%
Certificates of deposit	370.031.400	450.904.400	-80.873.000	-17,94%	24,00%	26,05%
Euro and foreign currency accounts	415.541.315	448.848.536	-33.307.220	-7,42%	26,95%	25,93%
Bonds issued	3.787.000	20.127.000	-16.340.000	-81,18%	0,25%	1,16%
Total traditional deposits	794.206.297	925.418.209	-131.211.912	-14,18%	51,51%	53,46%
Repurchasing agreements	849.981	509.963	340.018	66,68%	0,06%	0,03%
Total direct deposits	795.056.278	925.928.172	-130.871.894	-14,13%	51,57%	53,49%
B) Indirect deposits (market value)						
Fixed-income securities	181.740.475	217.440.705	-35.700.229	-16,42%	11,79%	12,56%
Equity securities	137.632.366	144.277.021	-6.644.655	-4,61%	8,93%	8,33%
Total administered indirect deposits	319.372.841	361.717.726	-42.344.885	-11,71%	20,71%	20,90%
Asset managements	90.074.085	102.509.771	-12.435.686	-12,13%	5,84%	5,92%
Funds	68.225.341	54.275.604	13.949.737	25,70%	4,43%	3,14%
Structured financial instruments	0	0	0		0,00%	0,00%
Insurance bank	269.029.281	286.566.928	-17.537.647	-6,12%	17,45%	16,56%
Total managed deposits	427.328.708	443.352.304	-16.023.596	-3,61%	27,72%	25,61%
Total indirect deposits (market value)	746.701.549	805.070.029	-58.368.481	-7,25%	48,43%	46,51%
C) Total deposits	1.541.757.827	1.730.998.202	-189.240.375	-10,93%	100,00%	100,00%

Direct deposits amounted to 795.056 million, decreasing by -130.871 million compared to the end of 2014.

More in detail:

-  *sight deposits increased by 0.691 million;*
-  *bank accounts decreased by 33.307*
-  *deposit repurchasing agreements with customers decreased by 0.340 million;*
-  *certificates of deposit decreased by 80.873 million;*
-  *bonds issued by the bank decreased by 16.340 million to their physiological maturity.*

In 2015, debts represented by securities in circulation, amounting to 373.818 million, registered a decrease of 97.213 million to be attributed, as already explained, to decreasing certificates of deposit and bonds. It should be noted that the Bank in 2012 issued a subordinate loan reclassified among indirect deposits in the tables above, amounting to nominal 20 million and maturing in March 2020. Indirect deposits amounting to 746.701 million, showed a decrease of -58,368million compared to 805.070 million in 2014. In particular the aggregate shows:

-  *a decrease of administered savings amounting to 42.344 million,*
-  *a decrease of managed savings amounting to 16.023 million.*

The hemorrhage of the collection is due to the Voluntary Disclosure phenomenon started by the Italian government for the return of funds held abroad, whose conclusion took place in November 2015.

Financial investments.

Financial investments recorded a decrease of 45.586 million (-21.91%) resulting from the combination of the variations occurred in investment assets (-31.556 million), in trading assets (+14.030) and the write-down of the shareholding in the loans fund at the NAV as of 31/12/2015. The write-down was converted into tax credit as regulated by Delegated Decree no. 174 of 27/11/2011 "urgent measures in support of operations to protect savings" due to the acquisition of the assets of Credito Sammarinese, which was wound up.

FINANCIAL ASSETS	31/12/2015	31/12/2014	CHANGE	
			ABSOLUTE	%
Investment securities		31.556.261	-31.556.261	-100,00%
<i>of which bonds</i>		31.556.261	-31.556.261	-100,00%
Trading securities	162.457.109	176.487.616	-14.030.507	-7,95%
<i>of which bonds</i>	157.302.035	171.034.186	-13.732.151	-8,03%
Total financial portfolio	162.457.109	208.043.877	-45.586.768	-21,91%

FINANCIAL ASSETS	31/12/2015	31/12/2014	CHANGE	
			ABSOLUTE	%
Issuers				
Investment securities	0	31.556.261	-31.556.261	-100,00%
<i>of which public issuers</i>		31.556.261	-31.556.261	-100,00%
<i>of which credit issuers</i>				
<i>of which financial issuers</i>				
<i>of which others</i>				
Trading securities	162.457.109	176.487.616	-14.030.507	-7,95%
<i>of which credit issuers</i>	5.173.328	21.799.837	-16.626.509	-76,27%
<i>of which financial issuers</i>	5.155.074	18.973.188	-13.818.114	0,00%
<i>di cui emittenti pubblici</i>	146.924.841	130.355.648	16.569.193	0,00%
<i>di cui altri</i>	5.203.867	5.358.943	-155.077	0,00%
Total debt securities	162.457.109	208.043.877	-45.586.768	-21,91%

FINANCIAL ASSETS	31/12/2015	31/12/2014	CHANGE	
			ABSOLUTE	%
Fixed/variable rate				
Investment securities	0	31.556.261	-31.556.261	-100,00%
<i>of which fixed rate</i>	0	21.343.054	-21.343.054	-100,00%
<i>of which variable rate</i>	0	10.213.207	-10.213.207	-100,00%
Trading securities	162.457.109	176.487.616	-14.030.507	-7,95%
<i>of which fixed rate</i>	157.302.035	169.040.734	-11.738.699	0,00%
<i>of which variable rate</i>	5.155.074	7.446.883	-2.291.808	100,00%
Total debt securities	162.457.109	208.043.877	-45.586.768	-21,91%

FINANCIAL ASSETS	31/12/2015	31/12/2014	CHANGE	
			ABSOLUTE	%
Residual life				
Investment securities	0	31.556.261	-31.556.261	-100,00%
- within 12 months				
- within 3 years				
- within 5 years	0	10.213.207	-10.213.207	100,00%
- over 5 years	0	21.343.054	-21.343.054	100,00%
Trading securities	162.457.109	176.487.616	-14.030.507	-7,95%
- within 12 months	59.617.886	129.250.716	-69.632.831	-53,87%
- within 3 years	97.684.149	41.783.470	55.900.679	100,00%
- over 3 years	5.155.074	5.453.430	-298.355	-5,47%
Total debt securities	162.457.109	208.043.877	-45.586.768	-21,91%

For the sake of clarity the balance of the portfolio and its composition compared to 2014 data are also provided.

More in detail:

the capitalized financial instruments were fully discharged to meet the needs of liquidity, sales generated profits of approximately 2.824 offset by losses related to IRS operations on these securities, also discharged for EUR 2.327. The algebraic balance positive for 0.497 merged among extraordinary income and expenses as per Standard 2008/02 on the preparation of the Financial Statements of Banks.

financial instruments not discharged are composed for 5.173 by debt securities issued by the bank, by debt securities of financial issuance for 5.155, by debt securities of public issuance for 146.924, in addition to shares in mutual investment funds of San Marino law for 5.203; the latter were subscribed on 29/12/2012 following the sale of legal relations in the whole by Credito Sammarinese which was wound up, in compliance with the contractual clauses provided for in the sale deed which envisaged a commitment for all transferee banks to assign the credits earned to a Management Company of San Marino law established ad hoc. This item recorded a decrease of 0.298 million due to the valuation of NAV fund at 31/12/2015; it should be noted that the write-down had no effects on the income statement as it was posted, as required by the legislation, in the item "temporary tax differences", because it will turn into tax credit only later, as a result of the losses that will be ascertained according to the effective realization of the assets sold. Owned financial instruments generated losses from refund for -1.278 million, trading profit for euro 0.615 and finally divided capital losses by valuation losses for euro -2.627 attributable as also stated above to the composition of our portfolio focused mainly on government securities with a short maturity, whose price falls as its maturity approaches.

SHAREHOLDINGS

SHAREHOLDINGS	CHANGE				COMPOSITION %	
	31/12/2015	31/12/2014	ABSOLUTE	%	31/12/2015	31/12/2014
Shareholdings	4.559.508	4.638.186	-78.678	-1,70%	38,48%	43,61%
Investments in group companies	7.288.038	5.996.277	1.291.761	21,54%	61,52%	56,39%
Total shareholdings	11.847.546	10.634.463	1.213.083	11,41%	100,00%	100,00%

Equity investments in group companies showed an increase of 1.213 million due to:

the revaluation of shareholding of BAC Fiduciaria S.p.A. for 0.015 million based on the net asset values expressed in the financial statement at 31/12/2015.

the revaluation of shareholding of San Marino Life S.p.A. for 1.013 million based on the net asset values expressed in the financial statement at 31/12/2015.

the devaluation of shareholding of SSIS S.p.A. for euro 0.168, million based on the net asset values expressed in the financial statement at 31/12/2015.

the adjustment of the PN of IBSImmobiliare for injections amounting to 0.24 million; adjustment for profit capitalization 2014 and 2015 cover losses for a total of EUR 0.012.

and finally for euro 0.090 million for the new constitution of the management company of payment services TP@Y S.p.A. jointly held with the three main San Marino groups.

Shareholdings values of Banca Centrale and Camera di Commercio remain unchanged, for which we hold a minority share.

A summary description of the main subsidiaries in the various operating sectors of the Group is shown in the introductory notes of the Management Report to which reference is made.

INTERBANK

At the end of 2015 as part of its financial assets, the Bank recorded a net interbank balance between assets (111.159 million) and liabilities (2.452 million) same as 108.705 million. Compared to the corresponding figures at the end of 2014 (net of +134.934 million), the balance recorded a decrease of net assets equal to -26.288 million due to an increase of loans to banks (-45.272 million), and a considerable decrease of bank collection amounting to 26.288 million; the net position remains at high levels and witnesses the virtual absence of bank debt, confirming the good situation of the company liquidity and ongoing management and monitoring by the bodies in charge of the bank's liquidity risk despite the strong compression of the collection as a result of Voluntary Disclosure.

Interbank

Interbank	CHANGE				COMPOSITION %	
	31/12/2015	31/12/2014	ASSOLUTA	%	31/12/2015	31/12/2014
Loans to banks	111.159.539	156.431.790	-45.272.251	-28,94%	100,0%	100,0%
- in Euro	93.341.150	94.276.280	-935.130	-0,99%	84,0%	60,3%
- in foreign currency	17.818.389	62.155.510	-44.337.121	-71,33%	16,0%	39,7%
Amounts due to banks	2.452.579	21.496.973	-19.044.393	-88,59%	100,0%	100,0%
- in Euro	2.452.579	846.643	1.605.937	189,68%	100,0%	3,9%
- in foreign currency		20.650.330	-20.650.330	-100,00%	0,0%	96,1%
Net position	108.706.960	134.934.817	-26.227.857	-19,44%	100,0%	100,0%
- in Euro	90.888.571	93.429.637	-2.541.067	-2,72%	83,6%	69,2%
- in foreign currency	17.818.389	41.505.180	-23.686.791	-57,07%	16,4%	30,8%


Interbank	CHANGE				COMPOSITION %	
	31/12/2015	31/12/2014	ASSOLUTA	%	31/12/2015	31/12/2014
Loans to banks	111.159.539	156.431.790	-45.272.251	-28,94%	100,0%	100,0%
- short term (up to 12 months)	44.542.804	121.911.796	-77.368.992	-63,46%	40,1%	77,9%
- medium and long term (over 12 months)	66.616.735	34.519.994	32.096.741	0,00%	59,9%	22,1%
Amounts due to banks	2.452.579	21.496.973	-19.044.393	-88,59%	100,0%	100,0%
- short term (up to 12 months)	2.452.579	21.496.973	-19.044.393	-88,59%	100,0%	100,0%
- medium and long term (over 12 months)	0	0	0	0,00%	0,0%	0,0%
Net position	108.706.960	134.934.817	-26.227.857	-19,44%	100,0%	100,0%
- short term (up to 12 months)	42.090.225	100.414.824	-58.324.599	-58,08%	38,7%	74,4%
- medium and long term (over 12 months)	66.616.735	34.519.994	32.096.741	0,00%	61,3%	25,6%

NET EQUITY AND CAPITAL RATIO

Net equity

If the proposal of the draft budget approved by the Directors is accepted by the Shareholders' Meeting, the net equity at 31/12/2015 will amount to 95.240 million compared to 82.036 million at the end of 2014, recording an increase of +13.203 million.

During 2015, the increase of 13.203 million is due to:

 *the increase of 1.454 million in the ordinary reserves and reset the 2013 loss to 1.678 for the allotment effectiveness in 2014;*

 *to the increase in revaluation reserves of 10.952 million following real estate revaluation and the valuation of shareholding at net equity;*

 *to the formation of net income 2015 of 2.252 million.*

The table below shows the assets of the institution in comparison to BAC data related to 2015:

NET EQUITY	31/12/2015	31/12/2014	CHANGE	
			ABSOLUTE	%
Share capital - subscribed and paid-up shares	20.880.080	20.880.080	0	0,00%
Ordinary reserve fund	57.499.203	56.044.306	1.454.897	2,60%
Extraordinary reserve fund	0	0	0	n.d.
Share premium reserve fund	0	0	0	n.d.
Own share reserve fund	11.518	11.518	0	0,00%
Revaluation reserves	14.597.800	3.645.851	10.951.949	100,00%
Retained loss		-1.678.963	1.678.963	100,00%
Result for the year	2.251.798	3.133.779	-881.981	28,14%
Total	95.240.399	82.036.571	13.203.828	16,10%

Share capital

The share capital, fully subscribed and paid-up, amounts to EUR 20.880.080.00 divided into 803.080 shares with a nominal value of EUR 26.00 each.

Own shares

The number of own shares amounts to 443 shares for a nominal value of EUR 11.518.00. It is stated that in respect of own shares held in the portfolio the bank has constituted a special reserve fund of the same amount, as required by current legislation.

Supervisory capital and capital ratios

The supervisory capital – determined on the basis of the provisions of the Supervisory Authority – amounted to 87.206 million, for 77.046 million formed by core capital, compared to 75.557 million at 31/12/2014. The capital of the bank is suitable to hedge all said risks, with a total capital ratio of 15.23% well above the minimum of 11% required by Standard and a capital absorption against operating risk of 3.975 million which shows a surplus against the total capital absorption.


SUPERVISORY CAPITAL	31/12/2015	31/12/2014	CHANGE	
			ABSOLUTE	%
Supervisory capital	87.205.973	76.733.303	10.472.670	13,65%
Core capital	77.046.346	75.557.943	1.488.403	1,97%
A. WEIGHTED RISK ASSETS				
A.1 Credit and counterpart risk	572.599.241	663.612.907	-91.013.666	
net of risk positions deducted from supervisory capital	13.386.997	15.575.143	-2.188.146	-14,05%
B. TOTAL CAPITAL REQUIREMENTS				
B.1 Credit and counterpart risk	62.985.916	72.997.420	-10.011.503	-13,71%
B.2 Operating risk	3.975.567	3.449.876	525.691	15,24%
C. SUPERVISORY RATIOS				
C.1 Supervisory capital/weighted assets	15,23%	11,56%		

RISK ASSETS OF BANCA AGRICOLA COMMERCIALE SPA


RISK ASSETS	31/12/2015	Weighting factor	31/12/15	31/12/14	Weighting factor	31/12/14	CHANGE	
	RISK ASSETS		WEIGHTED VALUE	RISK ASSETS		WEIGHTED VALUE	ABSOLUTE	%
	31/12/2015	31/12/2014	ABSOLUTE	%	31/12/2015	31/12/2014	ABSOLUTE	%
Balance sheet assets	966.831.335		567.700.249	1.151.901.427		654.019.190	-86.318.941	-13%
Cash	3.361.166	0%	-	3.166.286	0%	0	n.d.	n.d.
Loans secured by collaterals	18.503.719	0%	-	32.909.368	0%	0	n.d.	n.d.
Loans secured by collaterals	123.647	20%	24.729				n.d.	n.d.
Loans to or secured by States	128.707.053	0%	-	95.954.369	0%	0	n.d.	n.d.
Loans to credit entities	84.799.451	20%	16.959.890	173.428.790	20%	34.685.758	-17.725.868	-51%
Loans to supervised financial companies	8.470.987	20%	1.694.197	8.803.795	20%	1.760.759	-66.562	-4%
Loans to simplified supervised financial companies	-	40%	-	-	40%	0	n.d.	n.d.
Mortgage loans to individuals	28.693.832	50%	14.346.916	31.196.592	50%	15.598.296	-1.251.380	-8%
Leases - on fixed assets	64.629.614	50%	32.314.807	76.484.662	50%	38.242.331	-5.927.524	-15%
Loans to individuals	409.663.998	100%	409.663.998	450.788.636	100%	450.788.636	-41.124.638	-9%
Stocks, shares	837.955	100%	837.955	654.349	100%	654.349	183.606	28%
Cash values	1.142.139	20%	228.428	1.080.141	20%	216.028	12.400	6%
Accrued income	473.065	50%	236.533	909.545	50%	454.773	-218.240	-48%
Other assets	2.611.339	100%	2.611.339	3.044.952	100%	3.044.952	-433.613	-14%
Financial instruments to States	146.924.841	0%	-	161.911.908	0%	0	n.d.	n.d.
Financial instruments to Multilateral Development Banks		0%	-		0%	0	n.d.	n.d.
Financial instruments to Banks	5.173.328	20%	1.034.666	35.319.595	20%	7.063.919	-6.029.253	-85%
Financial instruments to supervised financial companies		20%	-		20%	0	n.d.	n.d.
Financial instruments to other issuers	5.203.866	100%	5.203.866	5.358.943	100%	5.358.943	-155.077	-3%
Non-performing loans	50.063.179	150%	75.094.769	50.521.900	150%	75.782.850	-688.082	-1%
Non-performing loans on leases	7.448.156	100%	7.448.156	20.367.596	100%	20.367.596	-12.919.440	-63%
Off-balance sheet assets	243.084.176		18.285.989	252.852.968		25.168.859	-6.882.870	-27%
Guarantees given and low risk commitments	198.999.100	0%	0	198.242.252	0%	0	n.d.	n.d.
Guarantees given and medium-low risk commitments		20%	-		20%	0	n.d.	n.d.
Guarantees given and medium risk commitments	26.063.946	50%	10.998.341	44.673.964	50%	15.363.700	-4.365.359	-28%
Guarantees given and full risk commitments	18.021.130	100%	7.287.648	9.936.752	100%	9.805.160	-2.517.511	-26%
Total weighted assets	1.209.915.511		585.986.238	1.404.754.395		679.188.049	-93.201.811	-14%
Risk positions deducted from supervisory capital to be deducted			13.386.997			15.575.143	-2.188.146	-14%
Total weighted risk assets net of doubtful results			572.599.241			663.612.906	-91.013.665	-14%

Relations with subsidiaries and associated concerns.

The transactions with subsidiaries are part of the ordinary operations of the bank. The following tables provide information about the relations and contracts entered into with the companies of the Group:

 **Bac Fiduciaria Spa** has opened by the bank correspondence accounts for the current management of its assets whose amount at the end of 2015 was 0.203 million.

San Marino Life Spa has opened by the bank correspondence accounts for the current management of its assets whose amount at the end of 2015 was 6.035 million.

 *Finally, we confirm the strict observance of the provisions contained in part VII of Regulation 2007/07 on contractual relations with related parties and entities in terms of obligations of corporate officers, shareholders and companies of the Banking Group.*

Major risks	31/12/15	31/12/14
Individual limit (25% of the supervisory capital)	21.801.493	19.183.326
Total limit (8 times as much as supervisory capital)	697.647.780	613.866.421
Contractual relations with related parties		
Individual limit (20% of the supervisory capital)	17.441.195	15.346.661
Total limit (60% of the supervisory capital)	52.323.584	46.039.982
Limit to medium and long term investments		
Limit to investments (supervisory capital)	87.205.973	76.733.303
BAC medium and long term investments	74.961.923	58.091.895
Limit to medium and long term loans		
Limit to medium and long term loans (surplus + medium and long term deposits)	304.709.324	356.847.656
Medium and long term loans (residual life of loans and leasing)	302.934.897	345.282.752

The table below provides details of the economic relations with companies of the Group.



Assets and liabilities with subsidiaries	31/12/15	31/12/14
Assets	37.226.260	36.217.570
loans to banks	37.226.260	36.217.570
- BANCA CENTRALE	14.774.509	15.645.286
loans to customers	961.531	1.010.420
- SSIS SPA	13	
- BAC FIDUCIARIA SPA	2.491	
- IBS RENT SPA	13.810.474	14.634.866
- IBS IMMOBILIARE SRL	-	-
bonds and other debt financial instruments	-	-
Shareholdings	4.469.508	4.638.186
- SSIS SPA	409.234	577.912
- CAMERA DI COMMERCIO	1.033	1.033
- BANCA CENTRALE SM	4.059.241	4.059.241
Investments in bank group companies	7.288.038	5.996.277
- BAC FIDUCIARIA SPA	659.039	643.129
- IBS LEASING SPA		
- IBSRENT Srl	22.689	22.689
- SAN MARINO LIFE SPA	6.291.310	5.277.744
- IBS IMMOBILIARE SRL	315.000	52.715
Other Companies	90.000	-
- TP@Y SPA	90.000	-
TOTAL ASSETS	63.848.315	62.497.319
Liabilities		
amounts due to customers	6.515.655	3.072.504
- BAC FIDUCIARIA SPA	203.643	292.588
- IBSRENT Srl	23.650	23.390
- IBS LEASING SPA		
- SAN MARINO LIFE SPA	6.035.832	2.558.884
- BAC FIDUCIARIA SPA		
- IBS IMMOBILIARE SRL	2.819	44.124
- SSIS SPA	249.711	153.519
payables represented by financial instruments	-	-
- BAC FIDUCIARIA SPA	-	-
other liabilities	-	-
- BAC FIDUCIARIA SPA	-	-
TOTAL LIABILITIES	6.515.655	3.072.504
Guarantees and commitments	0	0
- guarantees given		
- commitments		

Revenues and charges to related and parties : subsidiaries

	31/12/15	31/12/14
Interest income and similar revenues	-	-
- IBS LEASING SPA		
- SAN MARINO LIFE SPA		
Interest expense and similar charges	-	18.303
- BAC FIDUCIARIA SPA		219
- IBS LEASING SPA		
- SAN MARINO LIFE SPA		18.084
Dividends	875.746	810.613
- BAC FIDUCIARIA SPA	63.642	110.613
- SAN MARINO LIFE SPA	812.104	700.000
- IBS LEASING SPA		
Interest margin	875.746	810.613
Commission income	275.000	220.000
- SAN MARINO LIFE SPA	275.000	220.000
- BAC FIDUCIARIA SPA		
Other net proceeds	46.666	46.666
- BAC FIDUCIARIA SPA	38.333	38.333
- IBS LEASING SPA		
- SAN MARINO LIFE SPA	8.333	8.333
Service margin	1.197.412	1.095.582
Intermediation margin	1.197.412	1.095.582
Operating costs	-	-
a) Personnel expenses	-	-
	-	-
OPERATING RESULT	1.197.412	1.095.582

Communication, marketing and commercial activity

In the year ended, the Bank has implemented a well-structured communications plan, with the following purposes:

-  *celebrate the ninety-fifth anniversary of the foundation simultaneously promoting expertise in asset management,*
-  *encourage the use of web-based and self-services.*

For this purpose, OU Marketing has designed two separate advertising campaigns; visible at the same time by the Bank premises and conveyed alternately in newspapers and television.

The first campaign has relied on the consolidated values of trust, responsibility and competence, summarized in the headline "95 years of growth"; setting of body copy dedicated to insurance policy "United Liked".







The second, still ongoing, focuses communication in the headline "BAC is always here" and in the payoff and "the freedom to go to the bank, wherever you are"; summary of self-services for counter operations on a 24-hour basis of the best web banking and online trading instruments now available to our customers 7 days a week.

The campaigns have developed through printed and digital ads, web marketing and TV messages.

To the campaigns specific commercial direct marketing actions are flanked.

The response of customers was excellent; with several subscriptions to managed investment products and self-services.

With reference to the marketing and sponsorship of cultural and social events, following initiatives are pointed out:

-  *contribution to Istituto Giuridico Sammarinese, for the supply of two scholarships,*
-  *support to Comitato Paraolimpico Sammarinese,*
-  *support to Associazione Sammarinese Geriatria e Gerontologia for activities in favour of Parkinson patients,*
-  *contribution in favour of Federazione Sammarinese Atletica Leggera,*
-  *contribution to Associazione Sammarinese Carità senza confini, for volunteer activity,*
-  *contribution to Fondazione Gilberto Terenzi, for the realization of "stations" for the intellectual exercise of the elderly at San Marino public parks.*

Moreover we also point out the organization, in collaboration with Unione Fiduciaria SpA, of the cycle of conferences on Voluntary Disclosure, intended for professionals of the sector, valid for the educational obligations of Lawyers, Notaries and Accountants of the Republic of San Marino.

Finally, we underline that 2015 ended with the ninth edition of the musical event named "La Stella di Natale", conceived and organized by our bank.

Star of the evening Maestro Giovanni Allevi, composer, pianist and conductor among the most acclaimed, in "Love Piano Solo Tour 2015", passionate and intimate journey through songs of the author dedicated to love in all its forms, a program Allevi presented in a tour that started in Europe and landed in Japan.

Commercial development policies

The commercial approach goes through the analysis of the customers' needs. To optimize their satisfaction and ensure the constant search for financial instruments and services designed to achieve this goal, the bank defined a segmentation of the customers, focusing on following targets:

- individuals/families:

 *private customers of "High net worth individuals" segment managed by private branches;*

 *retail customers of affluent and mass market segment managed by retail branches;*

- companies/professional activities:

 *corporate managed by corporate branch;*

 *small business managed by corporate and retail branches.*

The bank identified Client Managers dedicated to homogeneous groups of customers that offer consultancy services or customized products, by using IT instruments designed for "customer care" and "customer satisfaction".

Finally, it should be noted that the new strategic guidelines are aimed at strengthening the market shares in respect of customers also residing in non-European markets.

Operational activity and organizational structure

The organizational and operational activities started and monitored for the suitable functioning of the facilities and services provided by the Institute, were mainly related to the constant monitoring of internal production processes in order to develop their efficiency levels through technological and functional inter-

ventions, as well as the adjustments depending on the standard evolution time to time issued by Competent bodies.

In the Technology field, evolution work of Gesbank bank management application has continued, whose main actions involved the operating processes in relation to the binding mandatory standards (among the most important we underline: update of FATCA standard, the introduction of the OCSE rule on international tax cooperation and consequent automatic exchange of information, the upgrade of European SEPA standard on payment systems and electronic money, adaptation to the new provisions on Prudential Supervision with the updating of the Manual of data processing procedures), both the additions of specific activities (among whom: updating of contracts relating to the opening and management of current account services with the introduction of the so-called "framework agreements" bearing the whole regulatory body merged into a single specific format), and preparations on the starting of periodic detections required by the newly formed Centrale dei Rischi Sammarinese, as required by the Supervisory Authority, which will be operational in the next year.

The IT evolution has also covered the establishment of new services for customers including a special mention on the adoption of new services related to ATM equipment, with the activation of the cash payment function and checks. The project is already operational on our Dogana premises (with new equipment in self area and in the interior area dedicated to cash counters) and Tavolucci (self-area). During next year there will be further evolutions in order to introduce the necessary IT support to ensure front office main operations in remote and/or automated mode.

Also during the year the project of setting up a consortium has been launched, sponsored by major San Marino Banking Institutions, operational in the context of e-money processes (IMEL Payment Institution), duly established and named T.P@Y Spa, which will allow the banking system to independently manage the operational systems of credit cards, POS and ATM management, with potential positive effects in terms of greater operational autonomy and commercial development.

These actions have led the trend, already consolidated in previous years, to the optimization of overhead costs which recorded a significant reduction, equal to 7.96% of administrative and related depreciation expenses.

Regarding compliance with new Regulations, besides the evidence already expressed above we point out: the "General Regulations of Corporate Bodies, General Management and Peripheral Facilities" (version September 2015) were further updated, of which we explain the main changes below: constitution of the risk management Committee and the consequent restructuring of the control activities carried on by the dedicated structures, establishment of the Coordination Division Commercial Subsidiaries for more efficient monitoring of related initiatives and the revision of some attributions for UUOO General Management;

the "Organizational Model and Management Art. 7 of Law no. 99 of 29 July 2013" was adopted and consequently the "Ethic Code of Banking Group" was updated, explicitly emphasizing the values of honesty, transparency and integrity that have always characterized the operations of the Bank and its Subsidiaries; the "Consolidated Law Anti-Money Laundering" was implemented, updating it with the regulatory requirements issued from time to time and revisiting related operations; the "Regulations of the Internal Control System" was issued, defining the guidelines and regulates the design and operation of the whole control system, covering the perimeter of the Banking Group; the "Regulations of Expenses" were also updated, with particular attention to the definition of the process of budget determination and monitoring related to the administrative expenses and deferred charges (tangible and intangible), the integration of the operating procedures concerning the submission of expenses requests and the adaptation of the ethical aspects in line with the aforementioned Ethic Code; the constant updating of the general regulatory body, among whom we note the reformulation of the operating mode of the internal legislation and the revision of the provisions related to accounting controls, as well as the drafting of specific operating notes for the main sectors (leasing, web banking, asset management).

As far as the actions in Logistics are concerned, we include:

the active management of assets in non-functional properties both as far as the operational aspects and the commercial ones (maintenance, sales and leases);
the constant updating of functional structures (Head Office and Branches) to ensure the proper performance of operations, among whom we highlight the Self Area makeover on Dogana branch updated with the functional technological equipment to the major business continuity guarantee of the main front office functions (collection and payment of cash and checks, phone cards functions);
the upgrade of the main security facilities in physical environment (management tools values, extraordinary maintenance of alarm and burglar alarm equipment) and logical (evolution of dedicated software).

Staff

Evolution and composition of the staff

The Staff in service at 31 December 2015 totaled 148 units, with a decrease of 2 resources from the previous year. The difference is due to the resignation of three employees and the hiring of a resource from the Controlled SM Life S.p.A.

Also for the year 2015, the bank resorted to secondment (Law 131/2005) and inserted another 2 units coming from Group companies.

At the end of the year 8 resources were absent from service: one for trade-union secondment, one for secondment by a company of the Group, 5 for post-partum leave and 1 for puerperium; five resources work part-time.

In light of the above, full time equivalent stood at 139.57 resources, in comparison with 144.44 of the previous year.

At the end of the year, the staff included 5 executives who represent 3.38% of the total number, 16 officers representing 10.81 % of the staff, 19 managers representing 11.49% and 110 employees that affect the extent of 74.32% overall staffing.

54.93 % of the staff works in the Branches and Private and Corporate Divisions, while 45.07% in the Organizational Units and Departments.

The average age of the personnel is 41.77 years old.

The tables below show the composition of the staff by position, age, length of service and educational qualification.

Composition by Position				
	Men	Woman	Total	Incidence %
Executives	5	0	5	3,38
Officers	11	5	16	10,81
Managers	15	2	17	11,49
Clerks	56	54	110	74,32
total	87	61	148	100,00

Composition by Age				
	Men	Woman	Total	Incidence %
Over 50	14	4	18	12,16
from 41 to 50	43	26	69	46,62
from 31 to 40	26	24	50	33,78
Up to 30	4	7	11	7,43
total	87	61	148	100,00

Composition by Length of Service				
	Men	Woman	Total	Incidence %
Over 30	9	2	11	7,43
from 21 to 30	25	21	46	31,08
from 11 to 20	31	15	46	31,08
up to 10	22	23	45	30,41
total	87	61	148	100,00

Composition by Educational Qualification				
	Men	Woman	Total	Incidence %
University Degree	25	16	41	27,70
School Diploma	60	45	105	70,95
Other	2	0	2	1,35
total	87	61	148	100,00

Training

During 2015, in line with the path undertaken in the previous years, the bank continued its action aimed at enhancing and developing human resources through training initiatives.

Early in the year the executive course, organized by the Fondazione Banca Centrale della RSM ended, concerning to "Internal governance and risk management in banking and financial institutions" with the participation of 4 resources.

Particular focus was placed on anti-money theme: the Representative Responsible attended the "Professionalizing path for anti-money laundering tool", lasting seven days, at ABI, earning Anti-Money Laundering Management Certification; he also attended the Conference organized by AIRA regarding "Anti-Money Laundering and Voluntary Disclosure" and the Annual Anti-Money Laundering Forum organized by ABI. The deputy of the Entrusted Responsible attended the High university course training in "The application of anti-money laundering standard in the national and international banking and financial system" at the University of Bologna, with a commitment of seven days, after which he claimed and passed the final exam. There was the participation of the staff in charge of Anti Money Laundering to the Symposium on anti-money issues and organized crime and to the Conference on "The evolution of money laundering legislation in San Marino." During last quarter of the year the entire Banking Group staff has been involved in training sessions on anti-money laundering regulatory updates, with deepening of the operational aspects of the Census of Customers, the Anti-Money Laundering Information Bulletin, the questionnaire about Adequate Verification and limitation in the use of cash. In addition, to the Managers and Assistant Managers of Division/Branch, has been reserved for a specific training program on 3D GIANOS application as helping tool to the prevention of money laundering risks.

There was a large presence of personnel at the two Conferences on "Voluntary Disclosure" that the Bank organized in collaboration with Unione Fiduciaria S.p.A.

As far as Credit is concerned, the training programs were addressed to the Heads and Deputy Heads of Divisions/Branches/Organizational Units, Corporate Managers, Small Business Managers and Loans Operators. The institution of "leasing", has been dealt with in two sessions and lead by internal staff; while with ABI teaching, following courses were supplied: "The technical forms of Credit to Individuals and Companies", "The role of SME Consultant", "The Credit management"; 69 participations were recorded.

In the financial area, meetings with Pioneer Investments to deepen macro-economic issues and markets trends, products and investment strategies were organized; the Online Trading and the "Saxo Trader" terminal capabilities were analyzed with Saxo Bank.

At the IV edition of the training course: "Neo Private Bankers: a first relational technical training", launched by the Associazione Italiana Private Banking, two managers attended with a commitment of 8 days each. The participation of those who perform the task of single operator during the cash processing course, held by Banca d'Italia was encouraged.

Top Management and the Managers of the relevant departments took part in the 22nd APB Convention that was held in San Marino on "The new frontiers of the profession in the European supervisory perspective; the contribution of planning to the definition of business models, prospective analysis of their performance and

sustainable profitability over time in a context of market globalization. Adaptation to the new realities of the knowledge, skills and expertise of the speakers".

As regards the CRS legislation (Common Reporting Standards) for the adaptation to OECD and FACTA standards, the Bank has participated in the training "Standard for automatic of financial account information", organized by ABS, whose teaching was entrusted to ABI.

The employees of the organizational units, according to their specific function, took part in seminars and courses relating to: "Audit on Branch processes", "The Social Structures and relevant regulations", "The IAS-I-FRS Banking Financial Statements", "Banking Union and Basel 3", "The Convention on double taxations", "The International Payment systems", "BANCASSICURAZIONE 2015: Innovation, emerging trends, opportunity areas".

Group resources, licensed to undertake the profession of Trustee job in San Marino, have attended the annual updating course organized by Fondazione Banca Centrale together with an employee participating as a listener.

Knowing that e-money represents today the pinnacle of innovative payment systems and includes all the activities related to the issue and placement of payment cards, we were given a thrust to the knowledge of the relevant regulations, technologies and business models also through the participation in seminars and training days promoted by ABI.

On the managerial side there was the participation of some managers to training days out of premises about "Emotional Intelligence and job performance" and "Communicate, negotiate and solve conflicts".

Some members of Senior Management followed the inter-company path, organized by ABI, concerning: "The banking business: the duties and responsibilities of the Top Management Bodies" and the intensive course about Bank management "Executive Management Program in Banking" by SDA Bocconi. In addition, the participation to the Permanent Update Service allowed participation in significant events, designed by The European House Ambrosetti. Moreover participation in international events on marketing, economy and finance were also recorded.

In keeping with the vocation of an international bank, collaboration with the prestigious Università Cattolica del Sacro Cuore was launched for the realization of a cycle of seminars named Leaders Meetings, on the themes of "The evolution of the Bank in a world rapidly changing" and the "Technological innovation in support of internationalization and service innovation". The journey began in the last months of the year and will end in the first quarter of 2016.

The training activity for learning/training of English language offered to all employees and to whom 37 resources participated continued also for the year 2015.

In compliance with the legislation on safety in the workplace, first aid and fire-fighting courses were held involving 33 employees.

Internal Communication

Through regular meetings, the management shared with all staff the results for the period, disclosed the strategies and favored constant comparison; specific meetings were reserved to Branch/Division Managers to face the specificity related to the market, commercial initiatives and legislation.

The corporate Intranet, an instrument for communicating and sharing knowledge was implemented with new contents and its use by the users has been encouraged.

YEAR INTERVENTIONS ON THE ORGANIZATIONAL STRUCTURE AND INTERNAL INSPECTIONS

Risk management and support control methods

In line with current Supervisory standards, Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A. has adopted a suitable Internal Control System (SCI) whose target and priority is the government of company and Group, through:

monitoring the fulfillment of corporate strategies and policies;

the limitation of the risk within the limits set out in the framework for the determination of the attitude risk of the bank;

the preservation of asset value and protection from losses;

the effectiveness and efficiency of business processes;

the reliability and security of corporate information and IT procedures;

prevention of the risk that the bank is involved, even unintentionally, in illegal activities (with particular reference to those related to money laundering, usury and terrorism financing);

operations compliance with the law and regulatory provision, as well as policies, regulations and internal procedures. "

In order to ensure an effective and efficient control action, the organization structure used is a centralized model at BAC Parent company.

The Audit function verifies effectiveness and efficiency conditions of the Internal Control System through the planning of organized actions considering main risks (risk based - process oriented) with the aim of:

ensuring the effective management of the company;

ensuring an accurate financial statement;

implementing the conditions for the constant maximization both of the effectiveness and the organizational efficiency;

setting a valid and effective prevention and control system of embezzlements.

The internal auditing activity (Internal Auditing Service) draws on the advice of KPMG Advisory S.p.A., an ideal partner able to guarantee and ensure a high standing on the field.






Anti-Money Laundering (AML) function, presiding over the Anti-Money Laundering area with the aim of ensuring compliance with any provision of law whose object is the contrast against financial crime on money

laundering and terrorism financing. Within the function it is also allocated the management and monitoring of general database. The organizational unit is the staff of the Entrusted Anti-Money Laundering Manager (RIA) and his/her coordinator has the role of RIA Substitute.

The activity is extended to all the Bank Group.

Risk Management function deals with the overall monitoring of risks, quantifiable and not, inherent in banking activity.

Targets:

-  collaborate with corporate bodies in the definition of the overall risk management system;
-  ensure suitable Risk Management processes through appropriate risk management systems and indicators to highlight anomalous situations in order to identify, measure, monitor and mitigate significant risks;
-  ensure the evaluation of the absorbed capital and its adequacy through the definition of processes and procedures to deal with all types of risk, both current and prospective, taking into account company strategies and developments in the economic environment;
-  monitor the operation of the risk management process and check its compliance;
-  cooperate in the development and implementation of risk management Policies.

The function guarantees, through the CEO, independent communication by sending periodic information flows.

The Compliance function provides risk management of non-Compliance to whom the Bank and its subsidiaries are exposed, through a careful monitoring of regulatory and corporate operations scenario. Within Assurance activity, audits, carried out by the Head of Compliance deal with System Checks on Banking, Trustee, Bank Insurance and Investment Services provided by the Bank and the Group Companies, limited to the risk of non-compliance which insists on business processes.

The annual program of verification activities is established according to the findings of Compliance Risk Assessment, the methodology used by the bank to identify, assess and manage the main risks of non-compliance. The process of identifying, evaluating and managing risk is realized in the preparation of the mapping of

key compliance risks to which the Bank is exposed. This mapping (Compliance Map) allows to associate to each non-compliance risk identified, relevant evaluation in terms of impact, the principals in mitigation of non-compliance risk, residual risk and possible Action Plan for those risks that are not adequately mitigated by control instruments implemented by the Bank.

The Compliance function, during its activities in full autonomy and independence, directly reports to the CEO with a defined periodicity or in particular situations.

In order to pursue a full awareness of risks, the management processes of the same provide a continuous critical interaction between the corporate Control Functions through periodic moments of confrontation and mutual exchange of information flows.

The Board of Auditors relies on the support of the control functions for competence verifications.

IMPORTANT FACTS OCCURRED AFTER YEAR END

There were no significant events after year end that would require adjustments to the financial statements or notes.


In early March 2016, the European Monetary Fund, following a mission in our Republic to assess the rating, the economic attractiveness and solidity of the financial country system, paid a visit to all banks of the Republic; BAC therefore hosted the delegation in which the main statistical data of the Bank were presented. An effective debate on the main themes of the financial and banking sector emerged.

BUSINESS OUTLOOK


The Bank, in the light of the performance achieved in the year, has as its primary target the consolidation and improvement of Asset Quality; to that end, an authorization for the establishment of a closed fund for the assignment of non-performing assets in partnership with Cassa di Risparmio e Banca di San Marino was submitted to the Supervisory Authority, in order to manage, in a more streamlined and efficient way, the recovery and disposal of these non-performing loans. SG will exclusively manage San Marino closed mutual funds, alternative, for distributing proceeds, reserved to Member Banks, which will be established through the subscription of single shares by individual loans or cash contribution by the same.

BAC will continue its expansion activity in the international scene, presenting itself with its high standing products and services to counterparties in the markets of high economic growth rate countries. To this end, BAC:


 *presented to the Supervisory Authority a draft concerning the constitution of an asset management company named BAC Investments SG Spa (BAC SG), San Marino law, which will market its mutual investment funds through the commercial network of BAC parent;*

 *requested authorization of the Supervisory Authority for the establishment of a UK-registered company to be established jointly with Quadrivio International which will provide advisory activities to an English loan fund.*

With the aim of improving customer service by promoting the use of IT platforms for the application of banking services and consulting business, BAC launched a rationalization of the network branch with the introduction of Hub & Spoke branches model:

 *against the 13 existing branches, 3 Hub subsidiaries to which 10 Spoke branches apply will be created,*

 *centralizing administrative and advisory functions on the Hub branches,*

 *adopting the necessary IT devices to ensure the main front office operations in remote and/or automated mode,*

 *activating on all branches advanced ATM to reduce counter operations and the number of cashiers,*

 *introducing new affluent and small business managers and increasing the number of commercial staff within the net.*

We wish to express our heartfelt and sincere thanks to the General Management and all the Bank staff for their fruitful cooperation and commitment in carrying out the activity.

We extend an esteemed appreciation also to the Board of Auditors, which has provided a careful, rigorous and appreciated collaboration to the Management and the Board of Directors.

The most sincere gratitude, and not least, is finally directed to our customers for the preference granted towards the services and products offered by the Bank.

PROPOSAL FOR THE APPROVAL OF THE FINANCIAL STATEMENTS AND THE ALLOCATION OF RESULTS FOR THE YEAR

We hereby ask you to approve the financial statements as of 31/12/2015 along with this report and to deliberate on the destination of net income as shown below:

-  distribution to partners for EUR 999,283 at the rate of EUR 1.245 per share,
-  provision of the residual EUR 1,252,515 to the ordinary reserves.

With the approval of the allocation of the result for the year, the composition of the Net Equity is as follows:

NET EQUITY	
	31/12/2015
Share capital - subscribed and paid-up shares	20.880.080
Ordinary reserve fund	58.751.718
Extraordinary reserve fund	0
Share premium reserve fund	0
Own share reserve fund	11.518
Revaluation reserves	14.597.800
Retained loss	0
Result for the year	0
Total	94.241.116

The number of own shares held in portfolio by the bank is 443 and their nominal value is 11,518 Euros.

San Marino, 24 March 2016

The President of the Board of Directors

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BOARD OF AUDITORS REPORT





BOARD OF AUDITORS REPORT

BOARD OF AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING FOR THE APPROVAL OF THE FINANCIAL STATEMENTS CLOSED AS OF 31 DECEMBER 2015

(pursuant to article 83 of Company Law no. 47/2006 as amended)

To the Shareholders' Meeting of
Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.

Dear Shareholders,

during the year closed as of 31 December 2015 we performed supervisory activities in accordance with the Company Law and the provisions issued by Central Bank, while taking into account the behavioral principles of the Board of Auditors recommended by the Professional Organizations and referred to the Articles of Association and the Provisions of Law on the preparation of financial statements.

The Board of Auditors, in the performance of its duties, hereby reports to the Meeting on the activities carried out during 2015 and on the relevant results:

- it participated in a session of the Shareholders' Meeting;
 - it participated in the 20 meetings of the Board of Directors, ensuring that the resolutions passed complied with law and the Articles of Association and were neither imprudent nor gave rise to conflicts of interest not adequately explained and managed;
 - it met regularly to carry out its audits, recorded 19 interventions in its book, and autonomously controlled the administrative-accounting system, the organizational structure and the internal audit system;
 - it requested and obtained information from the heads of the various functions about the most significant operations carried out by the Bank, and it acknowledges that they did not manifestly show imprudence, risks, potential conflicts of interest, contrast with the resolutions of the Shareholders' Meeting or were not such as to compromise the integrity of the company assets. For a comprehensive discussion of the most significant operations executed during the year, see the Report on Operations and the Explanatory Notes accompanying the financial statements as at 31 December 2015;
 - it made exchanges of information with the auditing firm BDO Italia S.p.A., which, as is known, is responsible pursuant to article 47 of Law 47/2006 for auditing the regular corporate bookkeeping, the proper recording of operating events in the accounting records, the correspondence of the financial statements to the accounting records, as well as the compliance of the financial statements with the governing regulations, by collecting information on the results of the audits carried out by them; in particular, such information was related to the drafting principles and evaluation criteria, paying special attention to the provisions adopted by the Directors and the compliance with the principle of prudence. During such consultations with the auditing firm, no significant aspects emerged wherefore it was deemed necessary to make specific updates or observations;
 - it issued legal opinions, including those relating to anti-money laundering and supervision.
- The Board of Auditors did not find any atypical or unusual operations executed by the Bank with third parties, Group companies or related parties.

We positively evaluated the compliance with the company's interest for all the operations examined.

The auditing firm informed us that it did not come to know, while auditing the records for the financial statements and during its quarterly inspections, of any acts or events to be reprehended or mentioned. On 31 March 2016, the auditing firm issued the report pursuant to article 68 of Law 2006/47, whereby it certified that the balance sheet closed as of 31 December 2015 gives a true and fair view of the financial position of the Bank and the economic result obtained.

To the extent of our powers, we verified the adequacy of the organizational structure of the Bank and its operation.

We monitored the internal audit system of the Bank and assessed its adequacy through the meetings with the managers of the various functions, as well as their regular reports: all in all, there was a constant strengthening of the internal control system.

Our analysis also proved the correct setting of the administrative-accounting system, which we consider suitable for meeting monitoring requirements regarding operations and formation and representation of the accounts.

During our verification, no such events emerged as to require reporting to the Supervisory Body or mentioning in this report.

As regards the supervision on the financial statements closed as of 31 December 2015, the draft of which was approved by the Board of Directors at the meeting dated 24 March 2016 and provided to us along with the relevant annexes and the Management Report as required by law, we point out the following.

We refer to the report of the auditing firm BDO Italia S.p.A., which, pursuant to article 67 of Law 47/2006, is responsible for accounting and financial audit. In particular, such report does not contain any information requests.

The 2015 financial statements were drawn up in compliance with the law and the regulations issued by Central Bank. They consist of the statement of assets and liabilities, the profit and loss account and the explanatory notes, and are accompanied by the Board of Directors' management report.

We believe that the information provided to the Meeting complies with the relevant provisions and contains an accurate, balanced and exhaustive analysis of the situation of the Bank, the progress and the result of operations.

Having no mandate to perform a detailed audit of the Financial Statements, we monitored their general layout and the observance of law concerning their formation and structure, and in this regard we have no particular comments to make.

We verified that the Financial Statements are consistent with the facts and information learnt about during the conduction of our duties and have no comments to make in this regard. We did not receive any complaints pursuant to article 65 of Law 47/2006.

To the best of our knowledge, the Directors did not depart from the rules of law pursuant to article 75 of Law 47/2006 in preparing the Financial Statements.

With reference to article 6, paragraph 10, of Law 47/2006, the members of the Board of Auditors state, under their personal responsibility, the permanence of the subjective and objective conditions for their office.

* * *

Dear Shareholders,

with reference to the Financial Statements, even considering the outcomes of the activity carried out by the auditing firm, we have no comments or proposals to make, and give, within the scope of our competence, our assent to the approval of the Financial Statements and the Board of Directors' proposal regarding the allocation of the profit achieved.

San Marino, 12 April 2016

Rag. Gian Enrico Casali (Chairman)

Dott.ssa Stefania Gatti (Auditor)

Avv. Alberto Vaglio (Auditor)

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FINANCIAL STATEMENT 2015



ASSETS
A. Balance sheet assets

Asset items	31-Dec-15	31-Dec-14
Cash and cash equivalents	4.503.305	4.246.425
Loans to banks	111.159.539	156.431.790
At sight	44.542.804	38.485.349
Other loans	66.616.735	117.946.441
Loans to customers	503.807.635	564.978.434
At sight	188.189.386	197.483.010
Other loans	315.618.250	367.495.424
Bonds and other debt financial instruments	157.302.035	202.590.446
Public issuers	146.924.841	161.911.908
Banks	5.173.328	21.799.837
Investors (investment firms)		13.519.758
Other issuers	5.203.867	5.358.943
Stocks, shares and other capital instruments	5.155.074	5.453.430
Shareholdings	4.559.508	4.638.186
Financial enterprises	4.059.241	4.059.241
Non-financial enterprises	500.267	578.945
Investments in bank group companies	7.288.038	5.996.277
Financial enterprises	6.950.349	5.920.873
Non-financial enterprises	337.689	75.404
Intangible fixed assets	2.585.452	2.821.259
Financial leases		
Assets awaiting lease		
- of which resulting from annulled lease agreements		
- of which for breach by tenant		
Goodwill	54.810	77.121
Other intangible fixed assets	2.530.642	2.744.138
Tangible fixed assets	214.748.629	218.347.896
Financial leases	144.680.403	164.970.647
Assets awaiting lease	20.089.463	29.930.058
- of which resulting from annulled lease agreements	20.089.463	29.930.058
- of which for breach by tenant	20.089.463	29.930.058
Real estate property	48.218.604	21.485.473
Other tangible fixed assets	1.760.159	1.961.718
Subscribed share capital not paid-in		
Own shares or stocks	11.518	11.518
Other assets	90.874.787	105.320.372
Accrued income and prepaid expenses	340.912	1.026.893
Accrued income	21.815	829.644
Prepaid expenses	319.097	197.249
Total assets	1.102.336.432	1.271.862.926

LIABILITIES

A. Balance sheet liabilities

Liability items	31-Dec-15	31-Dec-14
Amounts due to banks	2.452.579	21.496.973
At sight	2.452.579	21.496.973
Term or with notice		
Amounts due to customers	494.741.977	541.226.530
At sight	481.707.111	507.104.110
Term or with notice	13.034.866	34.122.420
Payables represented by financial instruments	386.707.916	486.839.004
Bonds	-	25.468.076
Certificates of deposit	386.707.916	461.370.928
Other financial instruments		
Other liabilities	99.043.015	115.836.517
- of which outstanding checks and similar securities	1.793.222	1.342.497
Accrued expense and deferred income	77.915	250.838
Accrued expense	26.900	135.568
Deferred income	51.015	115.270
Severance	1.164.600	1.108.677
Reserves for risks and charges	2.877.630	2.987.260
Provision for pensions and similar obligations		
Tax reserves	1.044.475	956.174
Other reserves	1.833.154	2.031.086
Risk provisions for credits		
Provisions for general banking risks		
Subordinate liabilities	20.030.402	20.080.556
Share capital	20.880.080	20.880.080
Share premium reserves		
Reserves	57.510.721	56.055.824
Ordinary reserves	57.499.203	56.044.306
Own share reserves	11.518	11.518
Extraordinary reserves		
Other reserves		
Revaluation reserves	14.597.800	3.645.851
Retained earnings (losses) (+/-)		-1.678.963
Net income (loss) for the period (+/-)	2.251.798	3.133.779
Total liabilities	1.102.336.432	1.271.862.926

GUARANTEES AND COMMITMENTS

A. Guarantees and commitments

Items	31-dic-15	31-dic-14
Guarantees given	22.136.593	36.371.499
Acceptances	2.431.138	6.882.510
Other guarantees	19.705.455	29.488.989
Commitments	37.323.153	51.158.049
For specific use		15.851.751
- of which financial instruments		4.631.751
For unspecific use	8.784.883	2.840.159
- of which financial instruments		
Other commitments	28.538.271	32.466.139
Total	59.459.746	87.529.548

PROFIT AND LOSS ACCOUNT

Item code	Profit and loss account	31-Dec-15	31-Dec-14
10	Interest income and similar revenues	30.827.647	33.373.678
	On amounts due from banks	349.813	501.183
	On loans to customers	25.209.158	29.111.963
	On debt securities	5.268.675	3.760.532
20	Interest expense and similar charges	11.091.002	15.634.996
	On amounts due to banks	15.498,57	48.822
	On payables to customers	2.040.999,01	1.976.393
	On bond payables	9.034.504,91	13.609.781
	- of which on subordinate liabilities	499.546,20	1.000.000
	Interest margin	19.736.644	17.738.682
30	Dividends and other revenues	952.250	819.430
	On stocks, shares and other variable-income securities		
	On shares	76.504	8.817
	On group company shares	875.746	810.613
40	Commission income	6.037.335	6.253.758
50	Commission expense	983.724	1.037.143
60	Profits (losses) on financial transactions (+/-)	-3.289.600	7.445.733
70	Other operating income	28.552.277	23.222.866
80	Other overhead costs		
	Revenues	51.005.183	54.443.326
90	Administrative expenses	16.454.698	16.507.797
	Staff expenses	11.018.234	10.863.041
	- salary and wages	7.876.360	7.799.136
	- welfare contributions	2.001.062	1.990.584
	- severance	759.814	737.543
	- dormancy and similar		
	- directors and auditors	223.458	209.294
	- other personnel expenses	157.540	126.484
	Other administrative expenses	5.436.464	5.644.756
100	Intangible asset adjustments	930.261	1.209.188
110	Tangible asset adjustments	28.109.006	23.377.165
120	Provisions for risks and charges		
130	Provisions for risk on credits		
140	Value adjustments for loans and provisions for guarantees and commitments	3.157.440	12.246.133
150	Writebacks on loans and on provisions for guarantees and commitments		
160	Financial asset adjustments		
170	Financial asset writebacks		
180	Operating income (loss)	2.353.777	1.103.043
190	Extraordinary income	3.904.967	3.307.505
200	Extraordinary expense	3.237.802	356.412
210	Extraordinary income (loss)	667.165	2.951.093
220	Variations in general banking risk reserves (+/-)	769.144	920.357
230	Taxation for the year		
240	Income (loss) for the period	2.251.798	3.133.779

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EXPLANATORY NOTES TO THE 2015 FINANCIAL STATEMENT





EXPLANATORY NOTES TO THE 2015 FINANCIAL STATEMENT

STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

PART A – Accounting principles

Section 1 – Illustration of accounting principles

Section 2 – Adjustments and tax provisions

*Section 3 – Illustration of the revaluation of corporate assets pursuant
to article 28 of Law no. 160 of 03/11/2015*

PART B – Information on the Statement of Assets and Liabilities

PART C – Information on the Profit and Loss Account

PART D – Other Information

STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENT

The financial statements for the year 2015 were prepared in accordance with the provisions of the Regulation no. 2008-02 about the preparation of the financial statements of banks issued on 23 September 2008 by the Central Bank of the Republic of San Marino, pursuant to article 39 of Law no. 165 of 17 November 2005.

As in previous years, particular attention was paid, on both form and content basis, to clarity, as well as to the truthful and correct representation of the Bank's real asset and financial situation. The accounting principles established by the applicable law were also applied.

The financial statements comprise the Statement of Assets and Liabilities, the Profit and Loss Account, laid out in such a way that the sub-totals are also shown, the statement of Guarantees and Commitments and the Explanatory Notes. They are completed by Directors' report on operations, Auditors' Report and Independent Auditors' Report.

The statement of assets and liabilities and the profit and loss account are comprised of items (marked in Arab numbers), sub-items (marked by letters) and further details (the "of which" of the items and sub-items). The items, sub-items and relative details constitute the financial statements.

The addition of new items is allowed, on condition that their content cannot be traced back to any of the items already included in the schedules, and only if it is for a significant amount. Further information is provided in the explanatory notes.

The sub-items envisaged by the schedules may be grouped when they satisfy one of the two following conditions:

- a) the amount of the sub-items is negligible;
- b) the grouping aids the clarity of the financial statements; in this case the explanatory notes must provide a separate indication of the sub-items that were grouped.

For each account on the statement of assets and liabilities and on the profit and loss account the amount of the previous fiscal year is indicated. If the accounts are not comparable, those relative to the previous year must be adapted; any incomparability and adaptation or the impossibility of performing the latter must be indicated and commented upon in the explanatory notes.

The statement of assets and liabilities and the profit and loss account also contain accounts for which no amounts were recorded in both the fiscal year to which the financial statements refer and those of the previous year.

If an element in the statement of assets or liabilities is classified under different items of the balance sheet, the fact that it refers to items other than that under which it was posted must be indicated in the explanatory notes when such is necessary to the comprehension of the financial statements.

The various entries in the Financial Statements correspond to the company's accounts which were drawn up in correspondence to the administrative transactions that occurred during the year.

In general, no conditions arose that entailed changing the way that the entries in the financial statements, or the relative criteria, are represented with respect to the previous year. In the cases in which

this occurred, clear information is provided in the analysis of the single entry.

The accounts on the first day of the fiscal year correspond to those carried forward from the financial statements approved for the previous year.

The financial statements and the explanatory notes were drawn up in Euros, without decimal figures.

The recognition of incomes and charges was made on an accrual basis, regardless of the date of collection or payment, and in accordance with the principle of prudence.

The latter principle presides, unless the formation of non-explicit reserves is envisaged.

In order to not reduce the information content of the financial statements figures, implementing principles of truthfulness and clarity, income and expenses were not offset.

The write-down, depreciation and amortization of asset items were exclusively made by means of a direct adjustment decreasing the value of said items.

Assets acquired in the name or on behalf of third parties are not shown in the financial statements.

Assets managed by the credit or financial body in the latter's name but on behalf of third parties are shown in the financial statements only if the body in question is the title holder; unless specified otherwise, the amount of said assets is indicated in the explanatory notes, broken down into the various asset and liability items.

PART A – Accounting principles

Section 1 - Illustration of accounting principles

Balance sheet and off-balance sheet assets and liabilities are valued according to the principle of prudence and on a going concern basis.

Cash and cash equivalents (asset item no. 10): this item includes currencies with legal tender, including banknotes and foreign coins, money orders, bankers' orders and postal orders, as well as equated securities, coupons and on-demand securities. Included are also collectable coins and medals as well as gold, silver and stamped values.

Loans to banks (asset item no. 20): this item shows all loans to banks, whatever their technical form is, except for those represented by financial instruments, which require posting under item no. 40 "Bonds and other fixed income securities".

Loans to banks also contain the counter value of carry-over operations and repurchase agreements for which the transferee bank has a sale back obligation to the selling bank on the maturity of the securities. The amount posted is equal to the spot price paid. The spot transferred assets continue to be shown in the portfolio of the selling bank.

Loans to customers (asset item no. 30): this item shows the loans deriving from financing contracts with customers, whatever their technical form is, on condition that, and to the extent to which the loan was effectively granted. The loans that have not been disbursed yet, even though recorded in the accounts on the “contracting date”, are not included in this item, but in the item concerning commitments. The loans represented by financial instruments are recorded in item 40 “Bonds and other fixed-income securities”.

The partial contributions received for matured or disputed loans are directly reduced by the value of the same loans. The contributions received in advance for loans not yet matured must be posted under the liability item “amounts due to customers” or “other liabilities”, depending on whether these contributions are interest bearing or not.

This item must include also the loans deriving from financial lease agreements for expired and not yet received rental charges and the connected loans for default interest.

“Loans to customers” comprise the counter value of carry-over operations and repurchase agreements in which the customer is obliged to the reverse repurchase of the securities spot transferred to the bank. The amount posted is equal to the spot price paid.

The loans are recorded in the financial statements at their estimated realizable value, calculated on the basis of the borrower's state of solvency, as well as the overall difficulty in servicing debt in countries where the borrowers reside.

The estimated realizable value is calculated on the basis of a valuation of all factors that characterize the history of the relationships in question, supported by assets, economic and financial information on borrowers, the nature of the economic activity performed and any guarantees issued.

More specifically:

Non-performing loans: are a category of loans, regardless of the expectation or otherwise of possible losses, made to borrowers in a state of insolvency, even if not legally ascertained, or in similar situations. This item represents the full exposure, including interest recorded and the expenses incurred for collection activities, adjusted by the portion of interest that is considered unrecoverable. Non-performing loans are valued analyzing the likelihood of their recovery on an analytical basis and calculating the relative presumed loss.

Impaired loans: are loans to borrowers suffering temporary difficulties, which are likely to be overcome in an acceptable period of time. They are valued on an analytical basis. Furthermore, by virtue of the new Regulation no. 2007-07, impaired loans now also include loans that have fallen due and have not been repaid, even only partially, as follows:

3 six-monthly instalments or 5 quarterly instalments for loans with an original term exceeding 36 months.

2 six-monthly instalments or 3 quarterly instalments for loans with a term equal to or less than 36 months. If the depreciation plan for the loan envisaged monthly instalments, the number of instalments due and unpaid considered is as follows:

7 instalments for loans with a term exceeding 36 months

5 instalments for loans with a term of less than 36 months.

Restructured loans: cash and “off-balance sheet” exposures for which the bank, due to the worsening of debtor's economic-financial conditions, allows to change the original contract conditions (for example, terms rescheduling, debt and/or interest reduction, etc.) resulted in a loss. Exposures towards companies expected to close (e.g. for voluntary liquidation or similar situations) are not included. Anomalous exposures especially concerning the Country risk are also excluded. A hypothetical credit restructuring of non-performing loans is mainly aimed at liquidation; consequently, it does not come within the definition of restructured loans, but non-performing ones. The same method is applied to impaired loans, if the re-negotiation of the contract conditions is aimed at paying part of the exposure (liquidation purpose)

Past due and/or overdrawn loans: refer to exposures towards customers with individual cash and off-balance sheet loans that, unlike impaired or non-performing loans, are past due or overdrawn in a continuative manner for more than 90 days at the reference date; if this exposure represents 20% of the overall exposure, these commitments are subject to arbitrary write-down.

Loans to “at-risk” countries: refer to exposures to borrowers coming from Zone B countries; this category represents a residual part of the commitments and was consequently subject to arbitrary write-down.

Performing loans: these are written-down on an overall basis, in order to guarantee a hedging from the so called “physiological risk”; the write-down is made prudentially in a way to be able to face any unforeseen losses. Flat-rate value adjustments are made based on all information evidence available,

which allow a valuation of the risk level of the homogeneous category of loans considered and its outlook. In determining these adjustments, any analytical write-downs already made with regard to individual positions are taken into account. The flat-rate write-down is left to the prudent evaluation of the administrative bodies.

Bonds and other financial instruments (asset item no. 40):

The own securities portfolio is comprised of investment securities held for investment properties and trading securities held for treasury and trading.

This item shows all the financial debt instruments in the bank's portfolio, both long- and short-term, such as government securities, bonds, certificates of deposit and the other fixed or variable income financial instruments, which are index-linked on the basis of predetermined parameter (e.g. the inter-bank interest rate).


The securities include only reacquired and tradable securities issued by the bank itself.

The financial instruments in the investment portfolio and the trading portfolio are recorded in the assets for an amount that includes (excludes) the accrued portion of the negative (positive) differences between the purchase cost and the repayment value upon the maturity of the same financial instruments.

The value of the tradable financial instruments is determined with reference to the average value of the last month before the valuation.

The financial instruments are considered as financial fixed assets and therefore subject to the valuation rules pursuant to article III.II.3 of BCSM regulation 2008-02, only if they are destined to stable investments by the bank.

More specifically:

 *Long-term financial instruments represent a financial fixed asset and are made according to the parameters established by the management body. The final balance of investment securities was therefore valued at the weighted average cost, for instruments that had already been included in the investment portfolio the previous year, while their purchase cost was recorded for new acquisitions during the year. The accrued portion of the difference between the book value or purchase value and the lower/higher repayment value of the security is also recognized by recording it in the assets under item no. 40 "Bonds and other financial instruments" with respect to the value of each specific security. In the event of the lasting deterioration of the issuer's state of solvency, or the ability to repay the debt by the country of residence of the latter, investment securities are written down. Other write-downs may be recorded to take the following into account: the relevant share prices of securities listed on regulated markets; market trends, for other securities.*

Should the reasons for the write-down no longer subsist, write-downs made for long-term value losses are written back.

 *Trading financial instruments are held for trading or for treasury requirements; they are valued on the basis of assumed market trends as expressly specified under paragraph 6 of art III.II.4 of BCSM regulation 2008-02:*

a) *the market value of listed financial instruments is represented by the market price, namely, the weighted average of the prices recorded in the last month prior to valuation, and consequent recognition of both losses and gains.*

b) *the market value of unlisted financial instruments is calculated on the basis of the value of similar listed and unlisted instruments, or, if the latter is not possible, on the basis of reasonable estimates.*

c) *the own shares held by the Institute are recorded at their par value.*

The cost is calculated using the "average weighted rolling cost" formula on a daily basis, adjusted by the portion of the accrued net underwriting spread. Any losses or gains, limited to listed securities, which emerge from the comparison between the average rolling cost, as illustrated above, and the market value, are recorded in the profit and loss account.

Shareholdings (asset items nos. 60 and 70)

Shareholdings in subsidiaries representing financial fixed assets since held as assets for the purpose of stable investment are valued by the equity method, if necessary adjusted in the presence of accrued impairment losses deemed to be permanent. Should the reasons for the write-down no longer subsist, the write-downs made for impairment losses are written back.

Dividends paid by subsidiary companies are recorded on an "accrual" basis, as allowed by the current accounting principles.

Dividends paid by companies which do not have the above characteristics are recorded on a "cash" basis, namely, in the period in which they are resolved upon, which usually coincides with the period in which they are collected.

Shareholdings in other uncontrolled companies representing financial fixed assets are valued at purchase cost. They are written down in the event of permanent deterioration of the issuer's situation and are written back if the reasons originating them no longer subsist.

Intangible fixed assets (asset item no. 80)

Intangible fixed assets are recorded in the financial statements at inclusive cost of additional charges and are usually amortized within five years. Assets with a high technological obsolescence are amor-

tized over three years. The amortization of assets is made systematically by direct adjustment of their value, using the rates provided for by tax law no. 166 of 16/12/2013.

The cost of intangible fixed assets with a limited use over time is systematically amortized every year by directly adjusting their value in accordance with the residual useful life.

Until the depreciation is completed, dividends can be distributed only if there are available reserves sufficient to cover the non-amortized costs.

Tangible fixed assets (asset item no. 90)

Tangible fixed assets are recognized at purchase cost, inclusive of additional charges and any other incremental expenses. Assets are depreciated systematically by directly adjusting their value using the rates established by the tax law no.166 of 16/12/2013, deemed appropriate and representative of the value corresponding to the residual useful life of the asset.

If assets demonstrate an impairment value which is lower than its cost, this is written down. Should the assumptions supporting the original write-down no longer subsist, write-downs made in previous periods are not maintained.

Financial lease transactions (leasing – asset item no. 90)

The amount of assets subject (or awaiting to be subject) to financial lease is recorded in asset item 90 “Tangible fixed assets” in case of tangible assets.

Loans relative to financial lease transactions are calculated according to the financial methodology and are recorded in the assets as the algebraic balance obtained from the difference between the financed capital or historic cost of the asset and the relative accumulated depreciation; the latter increases thanks to the principal of the various instalments accrued. Furthermore, the instalments accrued during the year are entered under interest income and similar revenues for the part regarding the interest, and under other operating income for the part regarding the capital. At the same time, the bank reduces the value of the leased asset by the principal, posting a cost (equal to the principal) in the profit and loss account and directly reducing the value of the leased asset.

At year end, the cost item used becomes part of item 110 “Value adjustments to tangible assets” depending on the nature of the leased asset.

Assets and liabilities in foreign currency

Assets and liabilities denominated in foreign currency and off-balance sheet transactions are recognized at the spot exchange rate in effect at year end, according to art.III.II.6.

Off-balance sheet transactions in foreign currency are recognized at the spot exchange rate in effect at year end, if such regards spot transactions which have not been settled or forward transactions to “hedge” spot transactions. In the latter case, the differentials between forward exchange rate and spot

exchange rate of the expiring contracts are recorded in the profit and loss account on an accrual basis and include the interests generated by covered assets and liabilities: this is to be recorded in the profit and loss account item 10-20 "Interest income (expenses) and similar revenues (charges)".

"Off balance sheet" transactions (other than those on currencies)

Off-balance sheet transactions are recognized according to the same criterion adopted for assets/liabilities recorded in the financial statements, depending on whether these are posted as fixed assets or current assets.

Any trading contracts for securities (spot or forward) which have not been settled at year end are valued using criteria that are consistent with those adopted to value portfolio securities.

Derivative contracts set in place to cover assets or liabilities are valued in coherence to covered assets or liabilities. The differentials are recorded pro-rata temporis under the profit and loss account items 10-20 relative to "interest income (expenses) and similar revenues (charges)", consistent with the costs and income generated by the covered elements.

Derivative trading contracts directly listed on regulated markets, as well as those using listed parameters or parameters taken from the standard information circuits used at international level as reference, are recognized at market value, which also means the price recorded on the last working day of the month in question, or, in the absence thereof, the last recorded price.

The difference between the current value of assets and liabilities and the off-balance sheet transactions and the book value of the same elements and transactions is included in the profit and loss account in the balance of item 60 "Profits (losses) on financial transactions".

Amounts due to banks (liability item no. 10)

This item shows all the amounts due to banks whatever their technical form, except for those represented by financial instruments which require to be posted under item no. 30.

The amounts due to banks include the equivalent value of the financial instruments received by the selling bank as spot in repo and carry-over transactions for which the transferee bank is obliged to forward resale.

Amounts due to customers (liability item no. 20)

This item shows all the amounts due to customers whatever their technical form, except for those represented by financial instruments that require posting under item no. 30.

The amounts due to banks include the equivalent value of the financial instruments received by the selling bank as spot in repo and carry-over transactions for which the transferee bank is obliged to forward resale.

The above items are recognized at their par value. The loans deriving from financing contracts are posted in the accounts for the disbursed amount, net of any repayments. Loans for expired due interest as well as arrears interest accrued and deemed as recoverable are included. Arrears interest is systematically recognized from January 1th 2008.

Payables represented by financial instruments (liability item no. 30)

In addition to bonds and certificates of deposit, this item includes, under the sub-item "other financial instruments", its traced acceptances and the atypical securities according to article II.III.8 of regulation 2007/07. It should be noted that in this item the bank has exclusively entered those certificates of deposit issued. Debt financial instruments which are past due but have not yet been repaid upon the reference date are also included.

The spot value of "repurchase agreements" is indicated in the specific liability item, while the underlying securities are represented in the assets under the item "Bonds and other debt securities". The forward value of the above transactions is recorded under the item "Commitment to exchange financial instruments of specific use" reclassified under Guarantees and Commitments.

Other assets - Other liabilities (asset item 120 – liability item 40)

This item contains all the assets and liabilities that are not associated to other assets or liability items. It also includes any (negative or positive) balances for items in transit and suspended that are not attributed to the relevant accounts. Payment means issued by the banks, such as bankers' drafts, are posted under other liabilities.

Non-interest bearing cash deposits held at clearing organizations for transactions on derivative contracts (known as margin calls) are also included. Any revaluations of off-balance sheet transactions on financial instruments, currencies, interest rates, stock exchange indexes or other assets are also recognized, regardless of their use for hedging or trading purposes.

Accruals and deferrals (asset item no. 130 and liability item no. 50)

These are recognized according to the same accrual principle also adopted for the recognition of all income and charges, the portions of interest income and expense and other income and expense.

Accruals and deferrals are recorded separately in the profit and loss account in specific asset sub-items. The Bank directly adjusts the asset accounts or liability accounts to which the accrued income and prepayments refer, increasing or decreasing them, in the following cases:

- a) in asset accounts, in relation to interest accrued on loans and securities;
- b) in liability accounts, in relation to interest accrued on payables, represented or not represented by securities, which include "advanced" interest, including the issue discount for bonds and certificates of deposit.

In any case, the material adjustments are illustrated in the explanatory notes.


Accruals and deferrals related to differentials or margins arising from derivative contracts to hedge the interest rate risk of interest-bearing assets and liabilities are considered as an increase or decrease of such assets and liabilities.

Severance (liability item no. 60)

The staff severance fund fully covers the seniority of all employees of this company accrued at year end.


Provisions for risks and charges (liability item no. 70)

These provisions exclusively cover losses, changes or payables of a set nature, of probable or certain existence, but which have no set amount or date of occurrence at year end. These mainly include:

 *the provisions for taxes, comprising allocations made for direct current taxation. These represent a reasonable forecast of the tax charges for the period calculated on the basis of current tax legislation.*

The provisions for risks and charges also include the fund for charity and events of a religious or cultural nature and a further three newly-established funds listed below:

 *the provision for claims and revocation actions.*

 *the provision for variable personnel costs, which covers the cost of one-off bonuses paid to employees on the basis of their performance until December 31st 2010 included.*

 *the fund for contractual rises in employee wages in view of the gap between contracts existing until December 31st 2010.*

Guarantees (item 10)

This item includes all the personal guarantees presented by the bank as well as the assets provided as guarantee for third-party obligations.

Commitments (item 20)

This item includes all the irrevocable commitments of specific or unspecific use, which may lead to credit risks (e.g. the margins available on irrevocable credit lines granted to customers or banks).

The commitments arising from derivative contracts are valued on the basis of their notional value.

Deferred taxes

To truly represent a real economic situation of the Bank, it has been used the deferred taxation. This is determined considering the fiscal effect connected with temporal differences between accounting value of assets and liabilities and their fiscal value that will determine taxable amounts in the future.

To this end, "temporal differences" mean those differences which will result in taxable income, namely,

deductions from taxable income in the future periods.

In particular, they are registered assets for in-advance taxes when exists the reasonable certainty that they will be paid. They are registered liabilities for deferred taxes when it is likely that they will become an effective cost. In advance taxes are part of the item "other assets", whereas deferred taxes are part of the item "taxation fund".

The case law of the Bank dealt with recording in the financial statements the deferred tax assets arising from deductible temporary differences and representing taxes paid in advance which will be recovered in future years.

Section 2 - Adjustments and tax provisions

Value adjustments to receivables comprise: positions posted to losses in the profit and loss account, since the collection of the said credit is impossible, the concomitant use of the "Provision for loan adjustment" for an equal amount and of the portion of forfeit allocation to the aforementioned Provision as established with reference to the internal statistical statements about loan losses, in combination with internal statistical data on losses on loans and the estimated loss as calculated by the O.U. Disputes and Recoveries for impaired positions. Allocations to the "Provision for doubtful debts" are made within the limits established by tax legislation but in any events its function is to adjust the value of the loans whose recoverability is uncertain, including the principal and arrears interest. The provision for taxation is comprised of allocations made on the basis of forecast tax charges for the period calculated on the basis of current tax legislation.

Section 3 – Illustration of the revaluation of corporate assets pursuant to article 28 of Law no. 160 of 03/11/2015

Pursuant to article 28 of Law no. 160 of 03/11/2015, the immovable fixed assets used for operations in relation to the owned regional branches, recorded in the register of depreciable assets on 31/12/2014, were revaluated. The revaluation is supported by appropriate sworn appraisals by professionals enrolled in San Marino registers and was approved in the meeting of the Board of Directors on 18/12/2015. The balances corresponding to the revaluated assets were earmarked in a special reserve to be used exclusively to hedge future losses or increase the share capital. The balance of the revaluation was subjected to 3% income tax with the separate taxation system, since the balance exceeds EUR 5 million and precisely amounts to EUR 11,173,142. The tax paid, amounting to EUR 335,194, was included in the accounts as reducing the revaluation reserve fund recorded under liabilities. The reserve amounts to EUR 10,837,948.

Description	Assets remaining as at 31 Dec 2014	sworn appraisal	Revaluation	input tax	Revaluation reserve
OWN PROPERTY BORGIO MAGGIORE, Via Oddone Scarito, 13	312.412	1.500.000	1.187.588	35.628	1.151.961
OWN PROPERTY SAN MARINO CITTA' CENTRO STORICO Contrada del Collegio, 19	352.922	920.000	567.078	17.012	550.065
OWN PROPERTY DOGANA Piazza Marino Tini, 26	1.000.337	5.280.000	4.279.663	128.390	4.151.274
OWN PROPERTY DOGANA VIA III Settembre, 316	6.972.426	11.900.000	4.927.574	147.827	4.779.747
OWN PROPERTY Tavolucci Via XXVIII Luglio, 212	824.723	880.000	55.277	1.658	53.619
OWN PROPERTY BRANCH World Trade Center, Via Consiglio dei Sessanta, 99	712.506	794.000	81.494	2.445	79.049
OWN PROPERTY BRANCH CITY Via Piana, 5	825.532	900.000	74.468	2.234	72.234
	11.000.857	22.174.000	11.173.143	335.194	10.837.949

Pursuant to article 28, paragraph 5, of Law no. 160 of 03/11/2015, the Board's resolution of 18 December 2015 bearing the revaluation of assets, consisting of 5 pages, and sworn appraisals, amounting to 79 pages, is faithfully provided in Annex "1".

PART B – Information on the Statement of Assets and Liabilities

Asset item no. 10

Table 1.1. - Cash and Cash equivalents

	31/12/15	31/12/14	Changes	
Cash and cash equivalents:			importo	%
€ cash	2.207.598	1.589.283	618.315	38,91%
Foreign currency cash	526.254	1.112.189	-585.935	-52,68%
ATM cash	581.455	415.920	165.535	39,80%
€/foreign currency cheques	1.142.139	1.080.141	61.998	5,74%
Other	45.860	48.893	-3.033	-6,20%
Total	4.503.305	4.246.425	256.880	6,05%

Asset item no. 20

Table 2.1 – Loans to Banks

A. Breakdown of item 20 in asset postings: "Loans to banks" (2.1)				
	31/12/2015		31/12/2014	
Details by technical form/currency	In euro	In valuta	In euro	In valuta
At sight	36.574.153	7.968.651	32.085.534	6.399.815
Reciprocal accounts opened for services rendered	21.639.591		19.106.967	
Current accounts	14.934.563	7.968.651	12.978.567	6.399.815
Other				
Other loans	56.766.997	9.849.738	62.190.747	55.755.694
Time deposits	56.766.997	9.849.738	62.190.747	55.755.694
Current accounts				
Repurchasing agreements				
Other				
TOTAL	93.341.150	17.818.389	94.276.281	62.155.509
d. GENERAL TOTAL		111.159.539		156.431.790

The breakdown of loans to banks is almost unchanged. Item Other loans shows a decrease of approximately EUR 51,329,706 relating to the disinvestment of cash, due to the return of capital to Italy for the so-called "Voluntary disclosure". Moreover, item Time deposits includes the time deposit for Compulsory Reserve in Central Bank amounting to EUR 31,478,199 established by decree no. 162 of 3 December 2009 and overnight deposits on foreign banks amounting to EUR 32,849,738.

Asset item no. 20

Table 2.2 – Situation of cash loans to Banks

B. Situation of cash loans to banks (2.2)	31/12/2015			31/12/2014		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
Doubtful loans	-	-	-	-	-	-
Non-performing loans			-			-
Bad loans			-			-
Restructured loans			-			-
Past due/overdrawn loans			-			-
Unsecured loans to at-risk countries			-			-
Performing loans	111.159.539		111.159.539	156.433.172	1.382	156.431.790
TOTAL	111.159.539		111.159.539	156.433.172	1.382	156.431.790

Asset item no. 20

Table 2.3 – Dynamics of doubtful loans to Banks

C. Dynamics of doubtful loans to banks (2.3)	31/12/2015						31/12/2014			
	Non-performing loans	Bad loans	Restructured loans	Past due / overdrawn loans	Unsecured loans to at-risk countries	Non-performing loans	Bad loans	Restructured loans	Past due / overdrawn loans	Unsecured loans to at-risk countries
Opening gross exposure										
- of which for accrued interest										
Increases	-	-	-	-	-	-	-	-	-	-
Inflows from performing loans										
Accrued interests										
Other increases										
Decreases	-	-	-	-	-	-	-	-	-	-
Outflows to performing loans										
Cancellations										
Collections										
Sales revenues										
Other decreases										
Closing gross exposure as of 31 Dec 2015	-	-	-	-	-	-	-	-	-	-
- of which for accrued interest										

Asset item no. 20

Table 2.4 – Dynamics of total value adjustments of Loans to Banks

D. Dynamics of total value adjustments of "Loans to banks" (2.4)												
Causali / Categorie	31/12/2015						31/12/2014					
	Non-performing loans	Bad loans	Restructured loans	Past due / overdrawn loans	Unsecured loans to at-risk countries	Performing loans	Non-performing loans	Bad loans	Restructured loans	Past due / overdrawn loans	Unsecured loans to at-risk countries	Performing loans
Opening value adjustments						1.382						8.304
Increases		-	-	-	-	-	-	-	-	-	-	-
Value adjustments												
- of which for accrued interest												
Utilizations of risk provisions for loans												
Transfers from other credit categories												
Other increases												
Decreases		-	-	-	-	1.382	-	-	-	-	-	6.922
Writebacks from valuation												
- of which for accrued interest												
Writebacks from collection												
- of which for accrued interest												
Cancellations												
Transfers to other credit categories												
Other decreases						1.382						6.922
Closing value adjustments as of 31 Dec 2015		-	-	-	-	-	-	-	-	-	-	1.382
- of which for accrued interest												

Asset item no. 20

Table 2.5 – Breakdown of Loans to Banks based on residual life

E. Breakdown of "Loans to banks" based on residual life (2.5)		
Maturity	31-Dec-2015	31-Dec-2014
At sight	44.542.804	38.895.349
From 1 day to 3 months	32.793.445	83.016.447
From 3 to 6 months		-
From 6 months to 1 year	56.584	739.247
From 1 year to 18 months		
From 18 months to 2 years		
From 2 to 5 years		-
Over 5 years		
Maturity not posted	33.766.706	33.780.747
TOTAL	111.159.539	156.431.790

The maturity band not assigned includes the ROB deposit constituted at central Bank. As a result of the new provisions of the Supervisory Authority, it must be reclassified here; the ROB deposit in 2014 amounted to EUR 33,633,085.

Asset item no. 30

Table 3.1 – Breakdown of item no. 30 Loans to Customers

A. Breakdown of item 30 in asset postings "Loans to customers" (3.1)				
Categories / Currencies	31-Dec-2015		31-Dec-2014	
	In euro	In foreign currency	In euro	In foreign currency
At sight / non-revolving	185.773.425	2.415.961	189.119.011	8.363.999
Current accounts	67.794.454	21.993	63.413.450	10.040
Other	117.978.971	2.393.968	125.705.561	8.353.959
Other loans	315.446.366	171.884	349.735.904	17.759.520
Current accounts	27.294.095		37.996.678	
Discounted and s.t.c. portfolio	1.878.115		5.999.122	
Repurchasing agreements				
Other loans	286.274.156	171.884	305.740.104	17.759.520
TOTAL	501.219.791	2.587.844	538.854.915	26.123.519
TOTAL GENERAL		503.807.635		564.978.434

The loans outlined above are presented at the expected sale value, inclusive of arrears interest on non-performing and doubtful exposures calculated starting from 01/01/2008.

Asset item no. 30

Table 3.2 – Guaranteed loans to customers

The following table shows all types of guaranteed loans

B. Guaranteed loans to customers (3.2)				
Categorie / Valute	31-Dec-2015		31-Dec-2014	
	In euro	In foreign currency	In euro	In foreign currency
From mortgages	160.581.138		113.751.937	
From lien on:	43.754.678	-	44.493.699	-
Cash deposits			18.024.251	
Securities	28.263.551		14.885.117	
Other	15.491.126		11.584.331	
From guarantees:	234.410.433	-	546.490.738	-
Government	46.418.027		85.723.064	
Other public organizations				
Banks			173.428.790	
Other financial companies	9.483.562		17.564.906	
Other operators	178.508.844		269.773.978	
TOTAL	438.746.249	-	704.736.374	-

Asset item no. 30
Table 3.3 – Situation of cash loans to customers

C. Situation of cash loans to customers (3.3) Categories / Values	31/12/2015			31/12/2014		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
Doubtful loans	190.456.925	35.491.030	154.965.895	189.813.927	39.834.618	149.979.309
- of which from financial leasing transactions	54.160.007	4.602.157	49.557.850	57.076.622	5.416.693	51.659.929
Non-performing loans	76.125.129	18.613.794	57.511.335	93.472.472	22.582.975	70.889.497
- of which from financial leasing transactions	22.214.096	2.081.853	20.132.243	36.279.289	2.883.875	33.395.414
Bad loans	83.412.486	10.979.052	72.433.434	74.264.739	10.937.085	63.327.654
- of which from financial leasing transactions	26.170.328	2.510.596	23.659.732	20.555.377	2.508.622	18.046.755
Restructured loans	17.998.560	5.827.047	12.171.513	18.747.044	6.060.115	12.686.929
- of which from financial leasing transactions			-			-
Past due / overdrawn loans	12.387.166	70.325	12.316.841	2.537.315	253.732	2.283.583
- of which from financial leasing transactions	5.775.583	9.708	5.765.875	241.956	24.196	217.760
Unsecured loans to at-risk countries	533.584	813	532.771	792.357	711	791.646
Performing loans	515.839.884	2.228.277	513.611.607	611.895.945	1.996.115	609.899.830
- of which from financial leasing transactions	122.468.817	1.630.027	120.838.790	149.651.321	1.582.355	148.068.966
TOTAL	706.296.809	37.719.307	668.577.501	801.709.872	41.830.733	759.879.139
- of which from financial leasing transactions	176.628.824	6.232.184	170.396.640	206.727.943	6.999.048	199.728.895

For the non-performing and doubtful loans, the expected loss was calculated analytically. This has been based on the quality of the individual borrowers, namely their specific ability to fulfill the obligations undertaken, also calculated on the basis of all available information on their asset, economic and financial situation. The expected loss was calculated also considering the collateral and personal guarantees submitted. In addition to the analytical write-downs as specified on the accounting principles, an arbitrary write-down was calculated on the entire loans, based on the situation of difficulty in servicing the debt by the borrower countries of residence and considering the negative economic trends concerning similar loan categories, such as the area of business. Moreover, in the absence of adequate time series that can ensure statistical robustness, the write-down was carried out and established prudentially by the administrative bodies. When reclassifying impaired loans to customers, interest was calculated on non-performing loans deemed by the bank as prudentially not recoverable, for EUR 637,386, and EUR 395,265 on impaired loans which were analytically written down as illustrated above.

Asset item no. 30

Table 3.4 – Dynamics of doubtful loans to customers

D. Dynamics of doubtful loans to customers (3.4) Reason codes / Categories	31/12/2015				
	Non-performing loans	Bad loans	Restructured loans	Past due / over-drawn loans	Unsecured loans to at-risk countries
Opening gross exposure	93.472.472	74.264.739	18.747.044	2.537.315	792.357
- of which for accrued interest	1.223.575				
Increases	4.666.203	29.854.279	-	14.205.598	-
Inflows from performing loans		19.545.908		9.513.928	
Accrued interest	637.386	395.265		159.292	
Other increases	4.028.817	9.913.106		4.532.378	
Decreases	22.013.546	20.706.532	748.484	4.355.747	258.773
Outflows to performing loans		726.544		968.382	258.773
Cancellations	7.338.584	494.061		-	
Collection	2.612.468	11.583.002	748.484	2.811.372	
Revenue from sales					
Other decreases	12.062.494	7.902.926		575.993	
Closing gross exposure as of 31 Dec 2015	76.125.129	83.412.487	17.998.560	12.387.166	533.584
- of which for accrued interest	1.860.961	1.037.692			

It should be noted that the other decreases amounting to EUR 12,062,494 on non-performing loans include properties resolved definitively on leasing positions for which the Bank appropriated the asset as final write-off of the customer's impaired loan position amounting to EUR 11,889,964.

Asset item no. 30

Table 3.4 – Dynamics of doubtful loans to customers

D. Dynamics of doubtful loans to customers (3.4)					
Reason codes / Categories	Non-performing loans	Bad loans	Restructured loans	Past due / over-drawn loans	Unsecured loans to at-risk countries
Opening gross exposure	60.999.674	80.208.671	20.637.263	6.720.595	548.850
- of which for accrued interest	792.791	1.091.087			
Increases	43.428.324	47.926.365	-	2.066.901	243.507
Inflows from performing loans	511.284	36.473.294		2.035.330	
Accrued interest	446.366	515.540		4.988	
Other increases	42.470.674	10.937.531		26.583	243.507
Decreases	10.955.526	53.870.297	1.890.219	6.250.181	-
Outflows to performing loans		56.200		1.708.415	
Cancellations	8.423.952	2.885.668			
Collection	2.476.315	2.148.420	1.890.219	59.207	
Revenue from sales					
Other decreases	55.259	48.780.009		4.482.559	
Closing gross exposure as of 31 Dec 2015	93.472.472	74.264.739	18.747.044	2.537.315	792.357
- of which for accrued interest	1.223.580	1.606.627			

After a number of periods that mark an increase of impaired loans, due to the worsened economic situation, the above dynamics of loans express the maintenance of impaired loans at stability levels compared to the previous year. BAC continued managing the quality of its own loans through a strict policy of valuation and reclassification. We also point out that following the amendment of Regulation 2007/07 implementing Miscellany 2013/06, tangible assets affected by early termination of leasing contracts due to the borrower's failure were reclassified on a statistical basis among impaired loans. We hereby specify that the amount of these tangible assets is equal to EUR 20,089,463 and their changes are explained in the relevant table below.

Therefore, it is noted that the impaired loans increased if compared with the values recorded as of 31/12/2014 for an amount of EUR 642,998; however, the level of coverage of the write-downs made prudentially covers all classes of loans as detailed in table 3.5 here below. During 2015 write-offs were made for loans considered unrecoverable amounting to EUR 7,832,645, as well as important recoveries on impaired and non-performing loans amounting to EUR 14,329,509. In addition, the category of restructured loans includes the position concerning the Delta/Surplus Group according to the clear-cut instructions to all the parties authorized to carry on reserved activities, forwarded by the Supervisory Authority with letter Prot. 14/2086, upon which the restructuring plan signed is operating and has already led to recoveries amounting to EUR 748,484.

Asset item no. 30

Table 3.5 – Dynamics of total value adjustments of loans to customers

E. Dynamics of total value adjustments of Loans to customers (3.5)		31/12/2015				
Reason codes / Categories	Non-performing loans	Bad loans	Restructured loans	Past due / overdrawn loans	Unsecured loans to at-risk countries	Performing loans
Opening total adjustment balance	22.582.975	10.937.085	6.060.115	253.732	711	1.996.115
Increases	3.712.583	1.381.163	-	67.937	343	470.116
Value adjustments	1.119.060			20.555	328	436.221
- of which for accrued interest	637.386					
Utilization of risk provision on credits						
Transfers from other credit categories	1.050.149	1.334.145		47.382	15	
Other increases	1.543.374	47.018			-	33.894
Decreases	7.681.764	1.339.196	233.068	251.344	240	237.953
Writebacks from valuation				32.621	240	174.072
- of which for accrued interest						
Writebacks from collection			233.068	123.169	-	
- of which for accrued interest						
Cancellations	7.338.584	494.061				
Transfers to other credit categories		802.531		84.641	1	63.881
Other decreases	343.180	42.604		10.914		
Closing total adjustment value as of 31 Dec 2015	18.613.794	10.979.052	5.827.047	70.325	813	2.228.277
- of which for accrued interest	1.860.961					

E. Dynamics of total value adjustments of Loans to customers (3.5)		31/12/2014				
Reason codes / Categories	Non-performing loans	Bad loans	Restructured loans	Past due / overdrawn loans	Unsecured loans to at-risk countries	Performing loans
Opening total adjustment balance	15.726.716	14.507.638	6.685.818	672.060	1.054	2.653.923
Increases	9.975.801	7.312.294	-	206.690	-	251.113
Value adjustments	2.315.160	3.237.978		204.032		250.277
- of which for accrued interest	433.322					
Utilization of risk provision on credits						
Transfers from other credit categories	7.660.641	4.074.316				836
Other increases				2.658		
Decreases	3.119.542	10.882.847	625.703	625.018	343	908.921
Writebacks from valuation	57.879	4.018.737				822.943
- of which for accrued interest						
Writebacks from collection	217.797		625.703			
- of which for accrued interest	46.853					
Cancellations	2.843.303					
Transfers to other credit categories		828.582		170.841		85.978
Other decreases	563	6.035.528		454.177	343	
Closing total adjustment value as of 31 Dec 2015	22.582.975	10.937.085	6.060.115	253.732	711	1.996.115
- of which for accrued interest	1.223.580					

Asset item no. 30

Table 3.6 - Breakdown of loans to customers based on residual life

F. Breakdown of "Loans to customers" based on residual life (3.6)		
Maturity	31-Dec-2015	31-Dec-2014
At sight	154.395.264	178.809.870
From 1 day to 3 months	32.829.927	61.325.738
From 3 to 6 months	27.945.353	24.280.293
From 6 months to 1 year	37.898.908	42.318.406
From 1 year to 18 months	29.247.242	26.087.201
From 18 months to 2 years	22.338.680	27.018.629
From 2 to 5 years	111.440.265	122.317.534
Over 5 years	181.250.974	196.481.305
Maturity not posted	71.230.889	81.240.163
TOTAL	668.577.501	759.879.139

The residual life obtained from loans before value adjustments corresponds to the time between the reference date and the contractual term of each transaction. Since 2009, the Bank has been aligning the assets and liabilities maturities on individual time buckets, improving in this way the structural liquidity situation.

Asset item no. 30

Table 3.7 - Breakdown of "Loans to customers" (net values) by economic activity sector

G. Breakdown of "Loans to customers" (net values) by economic activity sector (3.7)		
Items / Values	31-Dec-2015	31-Dec-2014
Government and public sector	19.430.042	18.680.148
Financial companies	20.863.218	29.921.052
Non-financial companies	416.955.181	451.633.956
Industry	193.048.265	221.929.510
Construction	68.224.434	53.916.351
Services	148.117.095	175.788.095
Other	7.565.387	
Families	193.667.819	198.631.383
Other	17.661.241	61.012.600
TOTAL	668.577.501	759.879.139

Asset item 40-50

Table 4.1 Breakdown of investment and trading financial instruments

A. Breakdown of investment and trading financial instruments - items 40-50 in asset postings (4.1)	31/12/2015	
	Investment	Trading
Items / values as of 31 Dec 2015		
Bonds and other debt financial instruments:	-	157.302.035
Public issuers		146.924.841
Banks		5.173.328
Investors (investment firms)		
Other issuers		5.203.867
Shares, stocks and other capital financial instruments:	-	5.155.074
Loan Management shield		5.155.074
TOTAL	-	162.457.109

The securities in the investment portfolio are recorded at their purchase value or the market price upon their transfer to the investment portfolio, with subsequent recording of the accrued amounts of the positive and negative differences between the above value and the redemption value as at maturity of the securities.

Trading securities are recorded at the market value expressed by the monthly average of the prices recorded in December 2015, under item "Bonds and other financial instruments", while item "Shares, stocks and other capital financial instruments" includes the provision portion deriving from the administrative compulsory liquidation of Credito Sammarinese Spa, for the agreement underwritten by the banks participating in the en bloc disposal of legal relationships occurred in October 2011, obtaining fiscal benefits described in the law 11 October 2011 n.169. As of 31/12/2015, the provision market counter-value was EUR 5,155,074, so BAC recorded a further capital loss amounting to EUR 295,673, which was reclassified in other assets under the item "Temporary differences in loans management fund shares" pursuant to letter Prot.14/2288 issued by the Supervisory Authority, whose item rises to EUR 5,742,926.

Asset item 40-50

Table 4.2 – Breakdown of investment financial instruments

B. Breakdown of "investment financial instruments" (4.2)	31/12/2015		31/12/2014		
	Items / Values	Book value	Market value	Book value	Market value
Debt financial instruments			-	31.556.261	32.358.000
Bonds			-	31.556.261	32.358.000
- Listed				31.556.261	32.358.000
- Unlisted					
Other debt financial instruments			-	-	-
- Listed					
- Unlisted					
Capital financial instruments			-	-	-
- Listed					
- Unlisted					
TOTAL			-	31.556.261	32.358.000

Asset item 40-50

Table 4.3 – Annual changes in investment financial instruments

C. Annual changes in investment financial instruments (4.3)		
Items / Values	31-Dec-2015	31-Dec-2014
Opening balance	31.556.261	221.679.939
Increases	2.824.108	142.055.533
Purchases		139.786.318
- of which debt financial instruments		
Writebacks		
Transfers from trading portfolio		
Other changes	2.824.108	2.269.215
Decreases	34.380.368	332.179.211
Sales	34.164.290	57.902.482
- of which debt financial instruments		
Redemptions		31.852.135
Value adjustments		-
- of which permanent writedowns		
Transfers to trading portfolio		241.307.920
Other changes	216.079	1.116.674
Closing balance	0	31.556.261

It is noted that during 2015 there was a total liquidation of the investment portfolio in order to maintain suitable treasury liquidity for higher cash outflows in the second half of 2015, resulting from the acceptance of the so-called "Voluntary Disclosure" by Italian customers, in accordance with the resolutions of the Board of Directors on 31 March and 29 April 2015.

Asset item 40-50

Table 4.4 – Breakdown of trading financial instruments

D. Breakdown of "trading financial instruments" (4.4)		
Items / Values	31-Dec-2015	31-Dec-2014
	Market value	Market value
Debt financial instruments	157.302.035	171.034.185
Bonds	157.302.035	171.034.185
Listed	157.302.035	171.034.185
Unlisted		
Other debt financial instruments	-	-
Listed		
Unlisted		
Capital financial instruments	5.155.074	5.453.430
Listed		2.683
Unlisted	5.155.074	5.450.747
TOTAL	162.457.109	176.487.615

During 2015, the free portfolio was further reduced compared to the previous year and consisted of a share in the alternative closed-end mutual investment fund underwritten at the end of December 2012 and mostly of bank and public securities.

Asset item 40-50

Table 4.5 – Annual changes in trading financial instruments

E. Annual changes in trading financial instruments (4.5)		
Items / Values	31-Dec-2015	31-Dec-2014
Opening balance	176.487.615	16.419.423
Increases	150.782.084	408.610.521
Purchases	148.972.356	157.694.506
- of which debt financial instruments	140.660.315	151.321.986
- of which capital financial instruments	8.312.041	6.372.520
Writebacks and revaluations	91.494	95.833
Transfers from investment portfolio		241.307.920
Other changes	1.718.234	9.512.262
Decreases	164.812.590	248.542.329
Sales and redemptions	158.883.679	245.635.148
- of which debt financial instruments	150.567.838	239.263.102
- of which capital financial instruments	8.315.841	6.372.046
Value adjustments and writedowns	3.014.646	2.775.118
Transfers to investment portfolio		
Other changes	2.914.265	132.063
Closing balance	162.457.110	176.487.615

Asset item 110

Table 5.1 – Breakdown of company shares

A. Breakdown of company shares - item 110 in asset postings (5.1)				
	Number of shares	% on capital	Nominal value	Trading amount
Values as of 31 Dec 2014	443	0,06%	11.518	11.518
Purchases				
Sales				
Values as of 31 Dec 2015	443	0,06%	11.518	11.518
				Profit / Loss
Profit / Loss during trading of own shares (+/-)				

During 2015 own shares did not undergo any changes and BAC still owned 443 shares recorded at their nominal value of 26 each for a total value of EUR 11,518.

Asset item 60-70

Table 6.1 - Shareholdings

A. Shareholdings - items 60 and 70 in asset postings (6.1)						
Names	Headquarter	Net equity	Activity carried out	Profit / Loss	% share	Book value
Companies of the relevant bank group						7.288.038
1.1. Bac Fiduciaria S.p.a.	Via Tre Settembre n° 316 - 47891 Dogana (R.S.M.)	722.681	Financial Company	79.552,00	100,00%	659.039
1.2. IBS RENT S.r.l. in voluntary liquidation	Via Tre Settembre n° 316 - 47891 Dogana (R.S.M.)		Rental		87,00%	22.689
1.3. SAN MARINO LIFE S.p.a	Via Tre Settembre n° 316 - 47891 Dogana (R.S.M.)	7.103.414	Insurance	902.338,00	100,00%	6.291.310
1.4. IBS IMMOBILIARE S.r.L	Via Tre Settembre n° 316 - 47891 Dogana (R.S.M.)	303.861	Real estate	-56.261,50	100,00%	315.000
Other companies						90.000
1.1. TP@Y SPA		450.000	Financial Company		20,00%	90.000
Other investee companies						4.469.508
1.1. Società Servizi Informatici Sammarinese S.S.I.S	Strada Cardio, 22 47899 Serravalle R.S.M.	1.128.468	Automatic data processing	55.096	50,00%	409.234
1.2. Banca Centrale della Repubblica di San Marino	Via del Voltone n° 120 - 47890 SAN MARINO	81.234.968	Banking	50.143	5,00%	4.059.241
1.3. Camera di Commercio S.p.a.	Strada di Paderna, 2 47895 Fiorina Domagnano	532.670	Services	-91.014	1,33%	1.033

For the sake of clarity, the table contains all shareholdings of the Bank, including investments less than 10%. It must also be specified that the net equity valuations in the following table refer to the company data as of 31.12.15 if already available for all the companies and with a holding percentage higher than 50%.

Asset item 60-70

Table 6.2 - Comparison between net equity valuation and cost valuation

B. Comparison between net equity valuation and cost valuation - items 60 and 70 in asset postings (6.2)						
Name	Activity carried out	Share capital	% share	Net equity share (a)	Book value share (b)	Comparisons (a-b)
1.1. Bac Fiduciaria S.p.a.	Financial Company	500.000	100,00%	722.681	659.039,40	63.642
1.2. IBS RENT S.r.l. in voluntary liquidation	Rental	77.000	87,00%	-	22.689	22.689
1.3. SAN MARINO LIFE S.p.a	Insurance	6.000.000	100,00%	7.103.414	6.291.309,80	812.104
1.4. IBS IMMOBILIARE S.r.L	Real estate	75.000	100,00%	303.861	315.000	-11.139
1.1. TP@Y SPA	Payment services	450.000	20,00%	90.000	90.000,00	-
1.1. Società Servizi Informatici Sammarinese S.S.I.S	Automatic data processing	490.637	50,00%	564.234	409.233,79	155.000
1.2. Banca Centrale della Repubblica di San Marino	Banking	12.911.425	5,00%	4.061.748	4.059.241	2.507
1.3. Camera di Commercio SPA	Services	77.469	1,33%	7.085	1.033	6.052

The shareholding in San Marino Central Bank (previously San Marino Credit Institution) remained unchanged. It represents 5% of the share capital of the associate bank and is represented by 125 shares of Euro 5.164 each. In the balance sheet closed as of 31/12/2013, its monetary revaluation was made according to Finance Law No. 174 art. 75 of 20/12/2013. The value of the share recorded in the balance sheet after its revaluation corresponds to the results obtained by its recalculation using the shareholder's equity method on the basis of the Central Bank's assets included in the financial statements on the 31st December 2013. The credit balance of the revaluation has been necessarily recorded in a revaluation equity reserve equal to Euro 3,004,030.

The interests held in S.S.I.S S.p.a. (Società Sistemi Informatici Sammarinese), compared to the previous fiscal year, have remained unchanged and represent 50% of the affiliate bank's capital. We are founding shareholders together with Cassa di Risparmio della Repubblica di San Marino, which holds the remaining 50% of the capital. This investment was likewise revaluated in 2015 net equity. This resulted in a write-down reversing the revaluation fund implemented in the previous years, since reserves becoming available and amounting to EUR 310,000 will be distributed, while the profit for the year will be fully capitalized, according to the draft budget approved at the session of the general meeting on 17/03/2016. Our investment in the Chamber of Commerce of San Marino Republic (previously Agency for Economic Promotion and Development) remains unchanged and is represented by No. 4 shares of No. 300 total shares constituting the Share Capital with a percentage of 1.33%.

We kept the investment in the entire share capital of BAC Fiduciaria S.p.a. (established in 2002), 500 shares for a par value of Euro 1,000 each. On 31/12/2015 the shareholder's equity of our affiliated bank amounted to EUR € 722,681 inclusive of EUR 79,522 year profit; therefore, we revaluated EUR 15,910 equal to the allocation to reserves according to the 2015 draft budget approved.

For IBSimmobiliare, BAC made a revaluation of EUR 262,285, since the Parent Company made a pay-

ment to the shareholders' equity of EUR 240,000, besides any profits brought forward to 2014, subsequent use for hedging the 2015 loss, as resolved with the approval of the 2015 budget, which aligns the budget value to the corresponding net equity share.

Even for San Marino Life, BAC made an adjustment to the net equity of the subsidiary based on the results of 2015. The meeting approved the distribution of 90% of the profit to BAC sole shareholder, while the remaining 10% will be allocated to reserves.

This year's shareholdings include IBSRent Srl, taken over through the merger of IBSleasing in 2014. The company was placed in voluntary liquidation in 2013 and based on the liquidation budget approved in 2014 it will settle all the existing debts and receivables in 2016.

Please see attached below the details of the movement of BACFiduciaria Spa, SM Life Spa, SSIS Spa and IBSImmobiliare Srl, besides the tables of the aggregate movements.

Asset item 60-70

Table 6.3 – Breakdown of item 60 Shareholdings

C. Breakdown of item 60 in asset postings "Shareholdings" (6.3)	
Items / Values	31-Dec-2015
In banks	4.059.241
Listed	
Unlisted	4.059.241
In other financial companies	90.000
Listed	
Unlisted	90.000
Other	410.267
Listed	
Unlisted	410.267
TOTAL	4.559.508

Asset item 60-70

Table 6.4 – Annual changes in item 60 Shareholdings

D. Annual changes in item 60 "Shareholdings" (6.4)	
Items / Values	31-Dec-2015
Opening balance	4.638.186
Increases	90.000
Purchases	90.000
Writebacks	
Revaluations	
Other increases	
Decreases	168.678
Sales	
Value adjustments	168.678
- of which permanent writedowns	
Other decreases	
Closing balance as of 31 Dec 2015	4.559.508
Total revaluations as of 31 Dec 2015	
Total adjustments as of 31 Dec 2015	168.678

Asset item 60-70

Table 6.5 – Breakdown and changes in item 70 Shareholdings

H. Breakdown of item 70 in asset postings "Shareholdings in bank group companies"	
Items / Values	31-Dec-2015
	Market value
In banks	-
Listed	
Unlisted	
In other financial companies	6.950.349
Listed	
Unlisted	6.950.349
Other	337.689
Listed	
Unlisted	337.689
TOTAL	7.288.038

E. Annual changes in item 70 "Shareholdings in bank group companies" (6.5)	
Items / Values	31-Dec-2015
Opening balance	5.996.277
Increases	1.291.761
Purchases	
Writebacks	1.291.761
Revaluations	
Other increases	
Decreases	-
Sales	
Value adjustments	
- of which permanent writedowns	
Other decreases	
Closing balance as of 31 Dec 2015	7.288.038
Total revaluations as of 31 Dec 2015	1.291.761
Total adjustments as of 31 Dec 2015	

As previously said, item 2.3 includes the re-evaluation of investees BAC Fiduciaria Spa, San Marino Life Spa and IBS Immobiliare S.r.l.

Detail of shareholding movements of the bank group

BACFiduciaria Spa	31/12/15	Allocation of 2015 Profit	Dividend Proposal	Net equity 31/12/2015
Share Capital	500.000			500.000
Legal reserve	143.129	15.910		159.039
Other reserves				
To partner			63.642	
Profit for the year	79.552			
	722.681	15.910	63.642	659.039

SM Life Spa	31/12/13	31/12/14	2015 Partners payment	Allocation of 2014 Profit booked in 2015	Dividend Proposal	Net equity 31/12/2014
Share Capital	6.000.000	6.000.000				6.000.000
Legal reserve	5.099	26.858		87.422		114.280
Other reserves				786.796	-700.000	86.796
Retained earnings/ losses	-953.777	-757.944	757.944			0
Profit for the year	226.422	874.218		-874.218		0
	5.277.744	6.143.132	757.944	-	-700.000	6.201.076

SMLife Spa	31/12/15	2015 Partners pay- ment	Allocation of 2015 Profit	Dividend Proposal	Net equity 31/12/2015
Share Capital	6.000.000				6.000.000
Legal reserve	114.280		90.234		204.514
Other reserves	86.796				86.796
Retained earnings/losses					-
Profit for the year	902.338			812.104	-
	7.103.414		90.234	812.104	6.291.310

SSIS Spa	31/12/14	Allocation of 2014 Profit	Dividend Proposal	Net equity 31/12/2014
Share Capital	490.637			490.637
Legal reserve	19.076	16.856		35.932
Other reserves	646.112	50.693	150.000	546.805
To partner				-
Profit for the year	67.548	-67.548		-
	1.223.373	1	150.000	1.073.374
net equity share held by BAC 50%	611.687			536.687

SSIS Spa	31/12/15	31/12/14	Allocation of 2015 Profit	Dividend Proposal	Net equity 31/12/2015
Share Capital	490.637				490.637
Legal reserve	25.831		5.510		31.341
Other reserves	556.904		49.586	310.000	296.490
To partner					-
Profit for the year	55.096		-55.096		-
	1.128.468		-0	310.000	818.468
net equity share held by BAC 50%	564.234	-			409.234

IBSIMMOBILIARE					
	31 Dec 2015		Settlement of 2015 loss	partner coverage	Net equity
Share Capital	75.000,00				75.000,00
Legal reserve					-
Other reserves	285.123		-45.123		240.000
To partner					-
Result for the year	-56.262		56.262	-11.139	-
	303.861		11.139	-11.139	315.000

Asset item 60-70

Table 6.6 – Assets and liabilities with investee companies

F. Assets and liabilities with investee companies - item 60 (6.6)	
Items / Values	31-Dec-2015
Assets	38.187.791
Loans to banks	37.226.260
- of which subordinate	
Loans to other financial companies	
- of which subordinate	
Loans to other companies	961.531
- of which subordinate	
Bonds and other debt financial instruments	
- of which subordinate	
Liabilities	249.711
Amounts due to banks	
Amounts due to other financial companies	249.711
Amounts due to other companies	
Subordinate liabilities	
Guarantees and commitments	-
Guarantees given	
Commitments	

Loans to banks amounting to EUR 37,226,260 include reciprocal transaction accounts with Central Bank for EUR 3,469,554, EUR 31,478,199 of ROB time deposit still at Central Bank and EUR 2,278,506 of other deposits still at the Supervisory Authority, while EUR 961,531 represents loans for property and securities leasing agreed with our investee SSIS. Among liabilities is the balance of the current account held by SSISS S.p.a. amounting to EUR 249,711.

Asset item 60-70

Table 6.7 – Assets and liabilities with investee companies belonging to the bank group

G. Assets and liabilities with investee companies belonging to the bank group - item 70 (6.7)	
Items / Values	31-Dec-2015
Assets	13.812.978
Loans to banks	
- of which subordinate	
Loans to other financial companies	13
- of which subordinate	
Loans to other companies	13.812.964
- of which subordinate	
Bonds and other debt financial instruments	
- of which subordinate	
Liabilities	6.265.944
Amounts due to banks	
Amounts due to other financial companies	6.239.475
Amounts due to other companies	26.468
Subordinate liabilities	
Guarantees and commitments	-
Guarantees given	
Commitments	

Item “Loans to other companies” consists entirely of SAL leasing contracts activated by IBSImmobiliare. Item: “Amounts due to other financial companies” consists of current account balances of San marino Life and BACFiduciaria. Item: “Amounts due to other companies” represents the sum of current account balances activated on IBSImmobiliare and on IBSRent amounting to EUR 2,818 and 23,649 respectively.

Asset item 80

Table 7.1 - Movements of item 80 Intangible assets

A. Movements and description of item 80 in asset postings "Intangible assets" (7.1)						
Annual changes	31 Dec 2015	Financial leasing	Assets awaiting lease	of which assets from terminated contracts for breach of tenant	Start-up costs	Other long-term charges
Opening balance	2.821.259					2.821.259
Increases	694.454	-	-	-	-	694.454
Purchases	694.454					694.454
Writebacks	-					
- of which for creditworthiness	-					
Revaluations	-					
Other increases	-					
Decreases	930.261	-	-	-	-	930.261
Sales	-					
Value adjustments	930.261					930.261
- of which depreciations	930.261					930.261
- of which permanent writedowns	-					
- of which for creditworthiness	-					
Other decreases	-					
Closing balance as of 31 Dec 2015	2.585.452	-	-	-	-	2.585.452

These are represented by the cost of: software purchase, refurbishment of leased facilities, Studies, Research, Training and long-term costs for Merger. Software is valued at cost price, inclusive of all expenses of analysis, installation and training. Furthermore, any fully depreciated intangible fixed assets are recorded as zero, by reducing the asset value and that of the relative provision (if present, they are stated as "Depreciated Asset"). The depreciation rates are calculated on the basis of their residual useful life. In particular, the previous balances are broken down and moved as follows:

a) Software		
	2015	2014
Opening balance at purchasing cost	5.241.318	5.012.543
Depreciated layer		
Expenses for new programs or implementations	156.978	183.508
Advances on Software		
Acquisitions for IBS merger		45.267
Closing balance at historic cost	5.398.296	5.241.318
other decreases		
To deduct BAC depreciation fund	-4.806.965	-4.385.711
of which year depreciation value	-421.254	-812.674
Closing balance	591.331	855.607

b) Studies, Reasearch, Training, leased facility refurbishment, long-term costs

	2015	2014
Opening balance at purchasing cost	1.830.474	1.369.704
Depreciated layer		
Expenses in the year	537.477	460.771
Closing balance at historic cost	2.367.952	1.830.474
To deduct depreciation fund	-1.343.426	-876.232
<i>of which year depreciation value</i>	-467.194	-382.508
Closing balance	1.024.525	954.242

c) Rights of concession and underpass works

	2015	2014
Opening balance at purchasing cost	1.254.397	1.254.397
Expenses in the year		
Closing balance at historic cost	1.254.397	1.254.397
To deduct depreciation fund	-284.801	-242.988
<i>of which year depreciation value</i>	-41.813	-41.813
Closing balance	969.596	1.011.409

The bank acquired from the Governement the permit to construct an underpass to be used by the institute for thirty years; therefore, the costs incurred for the rights and construction works were posted under intangible fixed asset, to be amortized throughout the term of the permit, as clarified by San Marino Tax Authority.

Asset item 90

Table 8.1 Movements and description of item 90 Tangible assets

A. Movements and description of item 90 in asset postings "Tangible assets" (8.1)						
Annual changes	31 Dec 2015	Financial leasing	Assets awaiting lease	of which assets from terminated contracts for breach of tenant	Buildings	Other assets
Opening balance	18.347.896	164.970.647	29.930.058	29.930.058	21.485.473	1.961.718
Increases	49.745.425	21.155.443	615.447	615.447	27.645.980	328.555
Purchases	21.545.012	20.624.129	592.627	592.627		328.255
Writebacks	22.820		22.820	22.820		
- of which for creditworthiness	22.820		22.820	22.820		
Revaluations	11.173.143				11.173.143	
Other increases	17.004.451	531.313			16.472.837	300
Decreases	53.344.691	41.445.687	10.456.041	10.456.041	912.849	530.114
Sales	8.154.736	6.634.620	1.423.817	1.423.817		96.299
Value adjustments	28.109.006	26.762.342	-	-	912.849	433.815
- of which depreciations	28.109.006	26.762.342			912.849	433.815
- of which permanent writedowns	-					
- of which for creditworthiness	-					
Other decreases	17.080.949	8.048.724	9.032.224	9.032.224		
Closing balance as of 31 Dec 2015	214.748.629	144.680.403	20.089.463	20.089.463	48.218.604	1.760.159

Fixed assets include: furniture, safe deposit boxes and plant, electronic machinery and vehicles. Like intangible assets, any tangible fixed assets fully amortized are recorded as zero, by reducing the asset value and the relative fund one (if present, they are stated with "Depreciated Assets").

The following tables show the asset broken down into categories, managed separately by General Accounting in specific accounts, and underwent the following changes in the year 2015:

a) Own assets		
	2015	2014
Opening balance (on which depreciation was calculated)	30.876.203	24.403.637
Closing balance at historic cost (on which depreciation was calculated)		
acquisitions	16.472.837	6.472.566
Property revaluation law no. 168 of 03/11/2015	11.173.143	
Total historic cost	58.522.183	30.876.203
To deduct depreciation fund	-10.303.579	-9.390.730
<i>of which year depreciation value</i>	-912.849	-732.444
Closing balance	48.218.604	21.485.473

b) furniture safes plants		
	2015	2014
Opening balance	5.869.996	5.737.940
Depreciated layer		
Divestments historic cost	278.184	132.056
Purchases made in the year		
Closing balance historic cost		
Depreciation fund	6.148.180	5.869.996
<i>of which year depreciation value</i>	-5.289.113	-4.927.847
<i>Closing balance</i>	-361.266	718.856
Consistenze finali	859.067	942.149

d) vehicles		
	2015	2014
Opening balance	334.765	404.215
Depreciated layer		
Divestments historic cost	-43.228	-69.450
Purchases made in the year	34.787	
Closing balance historic cost	326.324	334.765
Depreciation fund	-272.442	-268.817
<i>of which year depreciation value</i>	-24.554	-27.672
Closing balance	53.882	65.949

e) safety systems		
	2015	2014
Opening balance	163.782	161.692
Depreciated layer		
Divestments		485
Purchases made in the year	11.581	2.575
Closing balance historic cost	175.363	163.782
Depreciation fund	-78.446	-64.907
<i>of which year depreciation value</i>	-26.304	-24.567
Closing balance	96.917	98.875

f) office machines		
	2015	2014
Opening balance	226.217	161.742
Depreciated layer		
Purchases made in the year	3.704	64.475
Closing balance historic cost	229.921	226.217
Depreciation fund	-179.581	-157.890
<i>of which year depreciation value</i>	-21.691	-23.335
Closing balance	50.340	68.327

g) furniture and art objects		
	2015	2014
Opening balance	10.000	10.000
Depreciated layer		
Acquisitions for IBS demerger		
Purchases made in the year		
Closing balance historic cost	10.000	10.000
Depreciation fund		
<i>of which year depreciation value</i>		
Closing balance	10.000	10.000

We point out that the item Assets awaiting lease includes fixed assets regained by the company, following termination of leasing contracts due to borrowers' failure, also included in the table Breakdown of loans to customers, as required by the 2008/02 regulations of the Supervisory Authority on the preparation of the balance sheet 2008/02. It should also be noted that item Own assets shows an increase of EUR 11,173,143 due to the revaluation of the buildings for instrumental use, pursuant to Law no. 160 of 03/11/2015, as illustrated in section 3 of these explanatory notes, supported by appropriate sworn appraisals enclosed at the bottom of the Financial Statements. The above item also includes increases amounting to EUR 16,472,832 due to acquisitions through waiver agreement and write-off of receivables from insolvent customers classified as non-performing.

Asset item 120

Table 9.1 - Breakdown of item 120 Other assets

A. Breakdown of item 120 "Other assets" (9.1)		
Technical type	31-Dec-2015	31-Dec-2014
Guarantee margins		
Premiums paid for options		
Other	90.874.787	105.320.372
Other debtors	8.131.469	7.201.987
3.1. Advances to Tax Authorities for IGR of which redemption was requested	185.675	185.675
3.2. Ecofin withholding tax/Interest on transitional tax regime	3.958	123.732
3.3. Management of commercial collection RID	1.181.792	935.268
3.4. Invoices to be paid for assets to be leased	-	183.102
3.5. Miscellaneous and transitional positions	-	207.450
3.6. Temporary tax differences of loans management fund shares	5.742.926	5.447.253
3.7. Technical accounts	1.402.663	899.222
3.8. Bills from correspondent banks	9.078.407	8.897.779
3.9. Bills from customers collection	41.875.098	56.049.378
3.10. Bills from customer cheques collection	13.671.381	12.819.072
3.11. Bills from customers after collection	3.322.092	4.185.754
3.12. Suspense accounts - items in transit	7.174	55.962
3.13. Loans from Credito Sammarinese	220.423	220.423
3.14. Receivables for tax advances	224.686	258.506
3.15. Tax receivables from Credito Sammarinese	5.298.939	7.056.516
3.16. Receivables from Chamber state interest rate	522.813	587.999
3.17. Deposits	5.293	5.294
TOTAL	90.874.787	105.320.372

In the item other debtors there are all the assets that are not associated to other asset items. It also includes any balances for items in transit and suspended ones that are not attributed to the relevant accounts. We notice that as a result of the write-down of the closed-end loans management fund, BAC has accounted a capital loss equal to EUR 295.673 compared to 31/12/2014 which was reclassified in other assets under the item "Temporary differences in loans management fund shares" pursuant to letter Prot. 14/2288 issued by the Supervisory Authority and in compliance with Law No.74 of 27/10/2011, which rose to EUR 5,742,926.

More in detail, the item other debtors includes the following sub-items:

B. Breakdown of sub-item Other debtors		
Technical type	31-Dec-2015	31-Dec-2014
Other debtors		
1.1. Administrative expenses - Adjustment entries	1.495.300	1.398.398
1.2. Interest, commission income and dividends, accrued and not collected	527.267	267.292
1.3. Deposits	71.770	100.435
1.5. Advance for IBSImmobiliare Share Capital Increase		262.286
1.6. Encoded customers	5.870.217	4.864.011
1.7. Suspense account ATM drawings	131.039	82.064
1.8. Supplier advances	24.247	171.747
1.9. Suspense customer positions	11.630	55.754
TOTAL	8.131.469	7.201.987

Asset item 130

Item "Accrued income" consists of the following sub-items:

	2015	2014
On free/investment owned securities		
On loans to customers	7.523	829.030
On loans to banks		614
Accrued income on derivative contracts		
Other accrued income	14.292	
	21.815	829.644

Item "Prepaid expenses" consists of the following sub-items:

	2015	2014
On rental expenses	71.297	72.898
On insurance expenses		
On administrative expenses	247.801	124.352
	319.097	197.249

The liaison account with the balance sheet will be:

	2015	2014
Accrued income	21.815	829.644
Prepaid expenses	319.097	197.249
Total item 130	340.912	1.026.893

It should be noted that following the integration of article IV.I.13 of Regulation 2008/02 on the preparation of financial statements the relevant accruals have been deducted from the assets and liabilities since 2014.

Liability item 10

Table 10.1- Breakdown of item 10 Amounts due to banks

A. Breakdown of item 10 in liability postings "Amounts due to banks" (10.1)				
Details by technical form	31-Dec-2015		31-Dec-2014	
	In euro	In foreign currency	In euro	In foreign currency
At sight	2.452.579	-	846.643	20.650.330
Reciprocal accounts opened for services rendered	2.452.579		846.643	
Free deposits				
Other loans				20.650.330
Term or with notice	-	-	-	-
Current accounts				
Term deposits				
Repurchasing agreements				
Other loans				
TOTAL	2.452.579	-	846.643	20.650.330
GENERAL TOTAL		2.452.579		21.496.973

Table 10.2 - Breakdown of Amounts due to banks based on residual life

B. Breakdown of Amounts due to banks based on residual life (10.2)		
Maturity	31-Dec-2015	31-Dec-2014
At sight	2.452.579	21.496.973
From 1 day to 3 months		
From 3 to 6 months		
From 6 months to 1 year		
From 1 year to 18 months		
From 18 months to 2 years		
From 2 to 5 years		
Over 5 years		
Maturity not posted		
TOTAL	2.452.579	21.496.973

Liability item 20 - 30

Table 11.1 - Breakdown of Amounts due to customers

A. Breakdown of item 20 in liability postings "Amounts due to customers" (11.1)				
Category/Currencies	31-Dec-2015		31-Dec-2014	
	In euro	In foreign currency	In euro	In foreign currency
At sight	460.803.592	20.903.519	438.328.217	68.775.893
Current accounts	455.859.509	20.903.519	432.098.930	68.775.893
Savings deposits	4.944.083		5.538.274	
Other			691.013	
Term or with notice	13.034.866	-	34.122.420	-
Time current accounts			34.122.420	
Time savings accounts				
Repurchasing agreements	13.034.866			
Other funds				
TOTAL	473.838.458	20.903.519	472.450.637	68.775.893
TOTAL GENERAL		494.741.977		541.226.530

This table has been completed with liability item 20. During 2015, the breakdown of items shows a physiological reduction due to the Voluntary Disclosure. In reclassifying the amounts due to customers, internal checks merged with other liabilities for EUR 1,793,222 in 2015, while in 2014 they amounted to EUR 1,342,497. In addition, during the reclassification of the technical forms of deposits, the liabilities acquired from the transfer of San Marino loan under compulsory administrative liquidation were not included, as a result of the transfer agreement signed by San Marino credit institutions in 2011, because they were considerably decreased due to the renegotiation with customers and the transformation into BAC legal relationships, or because of actual liability settlements. It should be noted that, at the end of 2015, the assignments amounted to EUR 465,430 as shown below in the table identifying the other liabilities.

Table 11.3 - Breakdown of payables represented by financial instruments

A. Breakdown of item 30 in liability postings "Payables represented by financial instruments"				
Items / Values	31-Dec-2015		31-Dec-2014	
	In euro	In foreign currency	In euro	In foreign currency
Bonds			25.468.076	
Certificates of deposit	386.707.916		461.370.928	
Other financial instruments				
TOTAL	386.707.916	-	486.839.004	-
TOTAL GENERAL		386.707.916		486.839.004

Table 11.2- Breakdown of amounts due to customers based on residual life

B. Breakdown of Amounts due to customers based on residual life (11.2)		
Maturity	31-Dec-2015	31-Dec-2014
At sight	481.707.111	507.304.110
From 1 day to 3 months	5.130.213	7.328.592
From 3 to 6 months	3.871.112	13.514.712
From 6 months to 1 year	4.033.541	13.079.116
From 1 year to 18 months		
From 18 months to 2 years		
From 2 to 5 years		
Over 5 years		
Maturity not posted		
TOTAL	494.741.977	541.226.530

This table shows the scope of items 20 "Amounts due to customers", as shown in table 11.1.

Liability items 60-70-80

Table 12.1 - Movements of item 60 Severance

Severance	31/12/2015	31/12/2014
Opening balance	1.108.677	1.081.759
Increases	764.964	744.443
- allocations	764.964	744.443
- other changes		
Decreases	709.041	717.526
- utilizations	709.041	717.526
- other changes		
Closing balance	1.164.600	1.108.677

It is to be noted that the liabilities accrued with respect to all employees (employees and officers) are annually paid, whereas liabilities related to directors are set aside in the related Fund

Liability items 60-70-80

Table 12.2 – Breakdown of item 70 Reserves for risks and charges

B. Breakdown of item 70 "other funds"		
Items / Values	31-Dec-2015	31-Dec-2014
Other Funds:		
1.2. Complaint and revocation fund	1.457.000	1.654.070
1.3. Provision for contractual increase	168.298	168.298
1.4. Provision for variable personnel costs	-	30.336
1.5. Fund for charity	33.110	
1.6. Provision for unused holidays	174.746	178.382
Total	1.833.154	2.031.086

For the year 2015, the provision for tax reserves was made according to the new tax regulation enforced through Law 166 of 16/12/2013. In addition, since there are no current disputes, provisions for future taxes were considered as not necessary. With regard to this, we mention the current regulation on tax assessments, included in Law 166 2013 and subsequent amendments, which states in article 115 that "tax assessments should be notified by 31/12 of the second year following the year the declaration was submitted".

It should also be noted that the applicable rate is of 17%. The movements in the aforementioned reserves are listed below.

Tax reserves	31/12/2015	31/12/2014
Opening balance	956.174	89.637
Increases	703.000	866.537
- allocations	703.000	856.000
- other changes		10.537
Decreases	614.699	-
- utilizations	614.699	
- other changes		
Closing balance	1.044.475	956.174

Liability items 60-70-80

Table 12.4: Movements in sub-item c) "other funds". Complaint and revocation fund

Complaint and revocation fund	31/12/2015	31/12/2014
Opening balance	1.654.070	1.509.500
Increases	-	150.000
- allocations		
- other changes		150.000
Decreases	197.070	5.430
- utilizations		5.430
- other changes	197.070	-
Closing balance	1.457.000	1.654.070

For the current year the provision previously described was not endowed, since there are no increases either in the number or in the forecasts. However, this provision was used because an action definitely ended. Facing a temporary difference between the statutory income and taxable income, EUR 224,686 was recorded among deferred tax assets, posted in item 120 Other assets. It should be noted that the tax reserve includes the provision for taxes which should be paid to the fiscal authority for the year 2015.

Table 12.4 - Movements in sub-item c) "other funds": Provision for contractual increase

Provision for contractual increase	31/12/2015	31/12/2014
Opening balance	168.298	117.018
Increases	-	51.280
- allocations		47.114
- other changes		4.166
Decreases	-	-
- utilizations		
- other changes	-	-
Closing balance	168.298	168.298

Despite the macro and microeconomic downturn, it was not considered necessary to account a provision for the year 2015 because the fund was considered sufficient. It should be also noted that the expiry date of the collective work agreement was 31/12/2010 and is currently under negotiation.

Table 12.4 - Movements in sub-item c) "other funds": Provision for variable staff expenses

Provision for variable staff expenses	31/12/2015	31/12/2014
Opening balance	-	-
Increases	30.336	
- allocations	-	
- other changes	-	
Decreases	30.336	-
- utilizations	30.336	
- other changes	-	-
Closing balance	-	-

The Provision for variable staff expenses was implemented for amounts accrued in the previous years among Other assets relating to personnel bonuses. In 2015 no further funds were set aside; however, it was deemed appropriate to distribute residual EUR 30,336 for one-off bonuses on the basis of the performance obtained by the Network and the various administrative Organizational Units.

Table 12.4: Movements in sub-item c) "other funds": Provision for unused holidays

Provision for unused holidays	31/12/2015	31/12/2014
Opening balance	178.382	174.613
Increases	174.746	178.382
- allocations	174.746	178.382
- other changes		
Decreases	178.382	174.613
- utilizations	178.382	174.613
- other changes	-	-
Closing balance	174.746	178.382

Table 12.4 - Movements in sub-item c) "other funds": Fund for charity

Fund for charity	31/12/2015	31/12/2014
Opening balance	-	111
Increases		
- allocations	60.000	64.439
- other changes		
Decreases		
- utilizations	26.890	64.550
- other changes	-	-
Closing balance	33.110	-

Table 12.5 - Movements in item 80 "Provisions for risks on credits"

A. Movements in item 80 "Provisions for risks on credits" (12.5)		
Items / Values	31-Dec-2015	31-Dec-2014
Opening balance		800.000
Increases	-	-
Allocations		
Other changes		
Decreases	-	800.000
Utilizations		
Other changes		
Closing balance	-	-

Liability item 40

A. Breakdown of item 40 "Other liabilities" (13.1)		
Technical type	31-Dec-2015	31-Dec-2014
Guarantee margins		
Premiums received for options		
Cheques in circulation	1.793.222	1.342.497
Other	97.249.793	114.494.020
Other debtors	3.316.317	7.175.014
4.1 Transferors of bills after collection	4.642.417	5.480.044
4.2 Transferors of bills for collection	72.402.690	86.139.342
4.3 Account adjustments	3.294.948	3.118.589
4.4 Debts to Tax Authorities for withholding tax	3.301.912	2.652.915
4.5 Debts to Tax Authorities for various taxes	371.725	35.915
4.6 Suppliers to be paid	2.327.741	2.714.324
4.7 Funds under pledge	122.143	113.363
4.8 Cash surplus/ATM	2.555	37.326
4.9 Incoming/outgoing transfers	77.880	127.164
4.10 Italy/R.S.M. utilities	778.770	892.268
4.11 Operation of ATM/pos/cards	80.502	85.296
4.12 Invoices to be paid for leasing transactions		195.065
4.13 Funds available for others		132.339
4.15 Security operations	4.460	38.350
4.16 Other items	189.654	225.779
4.17 CS sold customers	465.430	466.483
4.18 Leasing fee invoices issued	5.870.650	4.864.444
TOTAL	99.043.015	115.836.517

The following table shows the details of the generic item Other creditors

B. Breakdown of sub-item "Other creditors"		
Technical type	31-Dec-2015	31-Dec-2014
Other creditors		
1.1. Wages/Remuneration	2.060.414	2.264.803
1.2. Leasing advances	720.594	4.705.071
1.7. Suspense items	5.309	5.140
1.4. Security deposits	530.000	200.000
TOTAL	3.316.317	7.175.014

Liability item 50

Breakdown of accrued expenses and deferred income

	31/12/2015	31/12/2014
Accrued interest expense on C.D.		
Accrued interest expense on P.C.T.		
Accrued interest expense on current accounts/deposits/foreign currency loans	-107	
Accrued expenses on derivative contracts	27.007	135.630
Accrued expenses on Own bonds		
Deferred commission income on endorsement loans	32.449	41.503
Deferral on portfolio	10.678	16.105
Deferral on UP-Front swap securities	0	57.601
Deferral on other liabilities	7.887	
Total	77.915	250.838

As explained above, based on the new formulation of article IV.I.13 of Regulation 2008/02 on the preparation of financial statements, regarding accruals and deferrals, the assets and liabilities of banks are required to be adjusted directly with the evidence of accrued income and expenses; therefore, item 50 has undergone a substantial reduction over the years.

Liability items 90 - 100

Table 14.1 Breakdown of item 90 "Reserves for general banking risks"

A. Breakdown of item 90 "Reserves for general banking risks" (14.1)		
Items / Values	31-Dec-2015	31-Dec-2014
Opening balance		
Allocations during the year		
Utilization during the year		
Closing balance	-	-

Table 14.2 - Breakdown of item 100 "Subordinate liabilities"

	31-Dec-2015	31-Dec-2014	Absolute changes	% changes
Subordinate liabilities	20.030.402	20.080.556	-50.154	-0,25%

As indicated in the table above, the bank, during 2013, issued a subordinated bond loan entirely subscribed and payable in instalments of 20% from 01/03/2016 until full refund on 01/03/2020, governed by a specific internal regulation and authorized by the central Banking Authority; the variation between 2014 and 2015 is exclusively due to the combination of accrued expenses to accrued interest.

Table 14.3 - Breakdown of item 110 "Share capital or endowment fund"

	31/12/2015	31/12/2014	Absolute changes	% changes
Capital or Endowment fund	20.880.080	20.880.080	-	0,00%

Table 14.4 - Breakdown of item 120 "Share premium reserves"

	31/12/2015	31/12/2014	Absolute and % changes
Share premiums			0

Table 14.5 - Breakdown of item 130 "Reserves"

	31/12/2015	31/12/2014	Absolute and % changes
a) ordinary reserve	57.499.203	56.044.306	1.454.897 2,60%
b) extraordinary reserves			0
c) own share reserve	11.518	11.518	-
d) other reserves			-
Total	57.510.721	56.055.824	1.454.897 2,60%

The ordinary reserve shows an increase of EUR 1,454,897 due to the allocation of the profit for the year 2014 as approved by the shareholders' meeting in May 2015.

Table 14.6 - Breakdown of item 150 "Retained earnings (losses)"

	31/12/2015	31/12/2014	Absolute and % changes
Retained earnings (losses)	-	-1.678.963	1.678.963

It should be noted that the loss was fully hedged with the 2014 profit as approved by the shareholders' meeting in May 2015.

Table 14.7 - Breakdown of item 160 "Net income (loss) for the period"

	31/12/2015	31/12/2014	Absolute and % changes
Profit (losses) for the year	2.251.798	3.133.779	-881.981 -28,14%

Table 14.8 - Changes in the net equity over the last 4 years

A. Changes in the net equity over the last 4 years (14.8)									
Balance as of:	Share capital	Unpaid share capital	Share premiums	Ordinary reserve	Other reserves	"Operating result (+/-)"	Retained earnings (losses) (+/-)	Reserves for general banking risks	Total
30 Dec 2012	20.100.080			56.040.623	7.618	1.012.299			77.160.620
31 Dec 2013	20.880.080			55.989.250	3.625.816	-1.678.963			78.816.183
31 Dec 2014	20.880.080			56.044.306	3.657.369	3.133.779	-1.678.963		82.036.571
31 Dec 2015	20.880.080			57.499.203	14.609.318	2.251.798			95.240.399

Table 15.1 - Breakdown of item 140 "Revaluation reserves"

	31.12.2015	31.12.2014	Absolute and % changes	
Revaluation reserves	14.597.800	3.645.851	10.951.949	100%

The revaluation reserves underwent a positive change in late 2015 as a result of the valuation in section 3 of these explanatory notes on real estate held for own use, supported by appropriate sworn appraisals enclosed at the bottom of the Financial Statements.

Table 16.1 - Prudential aggregates.

Table 16.1 - Prudential aggregates.		31/12/2015
		Amount
Supervisory capital		87.205.973
A1. Core capital		77.046.346
A2. Supplementary capital		30.496.973
A3. Items to be deducted		6.950.349
A.4 Risk assets for shareholders		13.386.997
A4. Supervisory capital		87.205.973
Risk assets and supervisory ratios		
B1. Weighted risk assets		572.599.241
C1. Supervisory capital/Weighted risk assets		15,23%

For the drawing up of the items, the indications of the Regulation 2007/07 and the current prudential supervisory standards were followed. It is, in particular, worth to note the adequate Bank capital level and a solvency ratio equal to 15.23%, which is by far higher than the regulatory limit of 11%.

Guarantees and Commitments

Table 17.1 - Breakdown of "Guarantees given"

A. Breakdown of item 10 "Guarantees given" (17.1)		
Items / Values	31-Dec-2015	31-Dec-2014
Trading endorsement loans	11.852.887	20.896.478
Financial endorsement loans	10.283.706	15.475.021
Collateral assets		
TOTAL	22.136.593	36.371.499

The guarantees given were classified according to their economic purpose, in:

Trading endorsement loans: personal guarantees securing specific commercial transactions (such as documentary credits) or the proper implementation of contracts;

Financial endorsement loans: personal guarantees securing the proper fulfillment of the service of the debt by the payer;

Assets (such as securities or cash) pledged to guarantee third-party obligations.

Table 17.2: Breakdown of endorsement loans

B. Breakdown of "Endorsement loans" (17.2)		
Items / Values	31-Dec-2015	31-Dec-2014
Trading endorsement loans	11.852.887	20.896.478
Acceptances	2.431.138	6.882.510
Performance bonds and guarantees	9.421.749	14.013.968
Secured patronage		
Other		
Financial endorsement loans	10.283.706	15.475.021
Acceptances		
Performance bonds and guarantees	10.283.706	15.475.021
Secured patronage		
Other		
TOTAL	22.136.593	36.371.499

Table 17.3 - Assets used as collateral to the Bank own liabilities

Liabilities	Amounts of collaterals
	-

No asset was used as collateral to the Bank own liabilities.

Table 17.4 - Margins available on lines of credit

	31/12/2015	31/12/2014
A) Central Banks	-	-
b) Other banks	-	-
Total	0	0

The Bank ordered the termination of the operating line of credit on the foreign sector granted by Cassa Centrale Banca Spa.

Table 17.5 - Breakdown of "Spot commitments"

A. Breakdown of "Spot commitments" (17.5)		
Items / Values	31-Dec-2015	31-Dec-2014
Commitments to grant funds for specific use		11.220.000
- of which commitments for loans to be granted		11.220.000
Commitments to swap financial instruments for specific use		4.631.751
Commitments to grant funds for unspecific use	8.784.883	2.840.159
- of which liability margins to be used on lines of credit	8.784.883	2.840.159
- of which put options issued		
Commitments to swap financial instruments for unspecific use		
Other commitments	28.538.271	32.466.139
TOTAL	37.323.153	51.158.049

Commitments of certain use are represented by commitments to disburse funds, whose use by the requesting party is not optional. These are binding commitments for both the granting bank and the requesting party. In this category are included the acquisition of securities not yet settled and deposits and loans to be paid at a future given date.

Commitments of uncertain use are represented by commitments to disburse funds, whose use by the requesting party is optional. Therefore, it is not certain whether and to what extent the funds will be effectively disbursed. This category includes the commitments within the placement of securities.

The new methods of accounting off-balance sheet transactions required pursuant to the Regulation 2008-02 on the preparation of banks' financial statements, state that forward financial instruments and currency sale/repurchase contracts not yet settled, derivative contracts on securities and relating to currencies, derivative contracts without underlying securities related to interest rates, indices or other assets, spot or forward deposits or loans to be disbursed or to receive at a future given date, are reclassified under spot commitments.

It should be noted that, unlike the previous legislation, contracts involving the exchange of two foreign currencies (or the exchange rate differential between two foreign currencies) should be recorded only once with reference to the currency to be purchased. In addition, derivative contracts on interest rates are conventionally classified as purchases or sales, depending on whether they entail for the bank the purchase or the sale of the fixed exchange rate. Lastly, derivative contracts involving forward exchange of capital are measured according to the contract settlement price, whereas contracts not involving this exchange are measured according to the par value of the reference capital.

It is noted that the decrease in the item from 2014 to 2015 is attributable to the series of transactions to be settled on securities, which, according to market conventions, require two days after the date of execution of the order, not present as of 31/12/2015 since they were all accrued for currency 31/12/2015.

Table 17.6 - Term commitments

B. Breakdown of "Term commitments" (17.6)			
Items / Values as of 31 Dec 2015	Hedging	Trading	Other operations
Trades			
Financial instruments			
- purchases			
- sales			
Currencies			
- currencies against currencies			
- purchases against euro			
- sales against euro			
Deposits and loans			
to be granted			
to be received			
Derivative contracts			
With capital swaps			
- securities			
-- purchases			
-- sales			
- currencies			
-- currencies against currencies			
-- purchases against euro			
-- sales against euro			
- other values			
-- purchases			
-- sales			
Without capital swaps			
- currencies			
-- currencies against currencies			
-- purchases against euro			
-- sales against euro			
- other values			
-- purchases		2.194.813	
-- sales			

This table lists all the off-balance sheet transactions in force at year-end. In particular:

- a) Forward financial instruments and currency sale/purchase contracts not yet settled;
- b) Derivative contracts with underlying securities;
- c) Derivative contracts on foreign currencies;
- d) Derivative contracts without underlying securities related to interest rates, indices or other assets;
- e) Spot or term deposits or loans to be disbursed or to receive at a future given date.

Other typologies, not included in the aforementioned table, shall be specifically indicated, if of a considerable amount.

The value attributed to the transactions is the following:

- 👉 The contracts' settlement price to financial instruments and currency sale/purchase contracts and derivative contracts involving forward exchange of capital (or other assets). For derivative contracts negotiated on organized markets that provide for daily liquidation of variation margins, the value is conventionally equal to the par value of the reference capital;
- 👉 The amount to be disbursed or to receive to deposit and loan contracts;
- 👉 The par value of the reference capital to derivative contracts not involving forward exchange of capital (such as contracts on interest rates and indices).

Contracts involving the exchange of two foreign currencies (or the exchange rate differential between two foreign currencies) should be recorded only once with reference to the currency to be purchased. Contracts involving the exchange of both interest rates and currencies should be recorded only under contracts on currencies.

Derivative contracts on interest rates are conventionally classified as purchases or sales, depending on whether they entail for the bank the purchase or the sale of the fixed exchange rate.

In particular, it should be pointed out that among derivative contracts there are four IRS transactions executed with HVB on fixed-rate loans as hedge against the rate risk, besides a further derivative con-

tract, executed with ICREA on a disbursed loan, upon which we exchange the fixed rate gaining the floating one.

Table 17.7 - Financial derivatives

A. Financial derivatives (17.7)			
Items / Values as of 31 Dec 2015	Hedging	Trading	Other operations
Derivative contracts			
With capital swaps			
Securities			
- purchases			
- sales			
Currencies			
- currencies against currencies			
- purchases against euro			
- sales against euro			
Other values			
- purchases			
- sales			
Without capital swaps			
Currencies			
- currencies against currencies			
- purchases against euro			
- sales against euro			
Other values			
- purchases		201.655	
- sales			

The same items and sub-items relating to derivative contracts of the previous table are listed in this table and valued at market. As it is a derivative not quoted, the fair value was calculated by the counterpart on the basis of the method mentioned at art. I.I.2, paragraph 45 of BCSM Regulation No. 2008/02.

Table 17.8 - Derivative contracts on loans

A. Derivative contracts on loans (17.8)			
Items / Values as of 31 Dec 2015	Hedging	Trading	Other operations
Hedge purchases	-	-	-
With capital swaps			
Without capital swaps			
Hedge sales	-	-	-
With capital swaps			
Without capital swaps			

Table 18.1 - Major risks

Major risks	31/12/2015	31/12/2014	Changes	
Amount	114.002.021	203.225.097	-89.223.076	-43,90%
Number	10	18	-8	-44,44%

This table shows the weighted total amount and the number of risk positions constituting a “major risk” according to the current supervisory standards. To that effect, it is to be noted that the bank is subject to the required limits.

Table 18.2 - Risks to related parties

Risks to related parties	31/12/2015	31/12/2014	Changes	
Amount	35.460.797	33.807.430	1.653.367	4,89%
Number	10	9	1	11,11%

The table above shows the weighted total amount and the number of risk positions toward related parties and related parties thereof, according to the current supervisory standards. To that effect, it is to be noted that the bank is subject to the required limits.

Table 18.3 - Time distribution of assets and liabilities

A. Time distribution of assets and liabilities (18.3)														
Items / Residual maturities as of 31 Dec 2015	Total	At sight	From 1 day to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 18 months		From 18 months to 2 years		From 2 to 5 years		Over 5 years		Maturity not posted
						F	V	F	V	F	V	F	V	
Assets														
Loans to banks	111.159.539	44.542.804	32.793.445			56.584								33.766.706
Loans to customers	668.577.501	154.395.264	32.829.927	27.945.353	37.898.908	2.059.838	27.187.405	754.428	21.584.252	2.860.360	108.579.905	2.662.370	178.588.603	71.230.889
Bonds and other debt financial instruments	157.302.035		11.367.516	16.177.067	32.073.303	26.259.066		37.428.820		33.996.264				
Off-balance operations	59.459.746	10.124.382	15.544.665	10.558.520	11.107.914	3.123.588		516.816		3.399.251		5.084.611		
Liabilities														
Amounts due to banks	2.452.579	2.452.579												
Amounts due to customers	494.741.977	481.707.111	5.130.213	3.871.112	4.033.541									
Payables represented by financial instruments:	386.707.916	8.543.478	169.818.033	107.652.778	74.428.024	6.431.948	1.854.351	4.418.894	2.279.026	8.951.350	2.330.033	-	-	-
Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Certificates of deposit	386.707.916	8.543.478	69.818.033	107.652.778	74.428.024	6.431.948	1.854.351	4.418.894	2.279.026	8.951.350	2.330.033	-	-	-
Other financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities: outstanding cheques	1.793.222	1.793.222												
Subordinate liabilities	20.030.402	-	20	-	-	-	20	-	-	-	20.030.362	-	-	-
Off-balance operations	59.459.746	10.124.382	15.544.665	10.558.520	11.107.914	3.123.588	-	516.816	-	3.399.251	-	5.084.611	-	-

Memorandum Accounts

Table 19.1 - Memorandum accounts

A. Memorandum accounts (19.1)		
Items / Values	31-Dec-2015	31-Dec-2014
Asset management	90.074.085	102.509.771
Customer asset management	90.074.085	102.509.771
- of which cash	26.404.659	30.265.250
-- of which cash deposited at the reporting institution	26.404.659	30.265.250
- of which debt securities	4.219.906	18.061.509
-- of which debt securities issued by the reporting institution	1.400.000	10.882.000
- of which capital securities and CIUs	57.994.549	54.183.011
-- of which capital securities issued by the reporting institution		
Own portfolios under third party management		
Custody and administration of financial instruments	760.599.574	865.129.912
Third party financial instruments in deposit	603.297.539	662.539.466
- of which debt securities issued by the reporting institution	18.600.000	33.566.000
- of which capital securities and other values issued by the reporting institution	81.972.383	78.761.212
- of which third party financial instruments deposited at third parties	502.725.156	549.148.513
Own financial instruments deposited at third parties	157.302.035	202.590.446
Financial instruments, cash and other assets related to depository banking activity	-	-
Cash		
- of which cash deposited at the reporting institution		
Debt securities		
- of which debt securities issued by the reporting institution		
Capital securities, CIUs, other financial instruments		
- of which capital securities issued by the reporting institution		
Assets other than financial instruments and cash		

In the table relating to the memorandum accounts, the financial instruments are classified under the relevant individual line items on the basis of the contracts concluded with customers, respectively, dealing with asset management, safe-keeping and administration, trusteeship and custodian agreements. The aforementioned financial instruments are booked in the memorandum of accounts at market value.

Table 19.2 - Assets held in the exercise of trustee function

	31/12/2015	31/12/2014
A) Assets	-	-
A.1 Cash and cash equivalents	-	-
A.2 Loans	-	-
A.3 Financial instruments	-	-
A.4 Tangible assets	-	-
A.5 Intangible assets	-	-
A.6 Other	-	-
TOTAL ASSETS	-	-
B) Liabilities	-	-
B.1 Debts	-	-
B.2 Other liabilities	-	-
TOTAL LIABILITIES	-	-
C) Operating income/charge difference	-	-

Profit and Loss Account item 10

Table 20.1 - Breakdown of item 10 "Interest income and similar revenues"

A. Breakdown of item 10 "Interest income and similar revenues" (20.1)		
Items / Values	31-Dec-2015	31-Dec-2014
On loans to banks	349.813	501.183
Current accounts	121.980	128.050
Deposits	227.834	373.133
Other loans		
- of which on leases		
On loans to customers	25.209.158	29.111.963
Current accounts	7.855.484	10.537.119
Deposits		
Other loans	17.353.675	18.574.844
- of which on leases	4.965.584	6.408.773
On debt financial instruments issued by banks	328.306	1.016.850
Certificates of deposit		36.167
Bonds	328.306	980.683
Other financial instruments		
On debt financial instruments to customers (issued by other issuers)	4.940.369	2.743.682
Bonds	4.940.369	2.743.682
Other financial instruments		
Total	30.827.647	33.373.678

These items show, on an accrual basis, the interests, the revenues and similar charges relating to receivables and financial instruments, inclusive of the balance between default interests accrued during the fiscal year and the value adjustment corresponding to the portion prudentially considered as totally unrecoverable.

Profit and Loss Account item 20

Table 20.2 - Breakdown of item 20 "Interest expense and similar charges"

A. Dettaglio della voce 20 "Interessi passivi e oneri assimilati" (20.2)		
Items / Values	31-Dec-2015	31-Dec-2014
On amounts due to banks	15.499	48.822
Current accounts	15.499	48.822
Deposits		
Other debts		
On amounts due to customers	2.040.999	1.976.393
Current accounts	1.511.973	1.944.913
Deposits	26.662	31.480
Other debts	502.365	
On payables represented by financial instruments to banks		
- of which on certificates of deposit		
On payables represented by financial instruments to customers	8.534.959	12.609.781
- of which on certificates of deposit	8.533.394	11.601.644
On Subordinate liabilities	499.546	1.000.000
Total	11.091.002	15.634.996

Profit and Loss Account item 30

Table 21.1 - Breakdown of item 30 "Dividends and other revenues"

A. Breakdown of item 30 "Dividends and other revenues" (21.1)		
Items / Values	31-Dec-2015	31-Dec-2014
On stocks, shares and other capital financial instruments		
On investments	76.504	8.817
On investments in bank group companies	875.746	810.613
Total	952.250	819.430

Item On group company shares includes the dividend recorded on an accrual basis by our subsidiary BacFiduciaria s.p.a. for EUR 63,642 and the dividend amounting to EUR 812,104 of San Marino Life Spa likewise recorded on an accrual basis. On the other hand, EUR 76,504 consists of EUR 75,000 for the dividend recognized for cash by the subsidiary SSIS and EUR 1,504 for the dividend recognized by the Central Bank of the Republic of San Marino.

Profit and Loss Account item 40

Table 40.1 - Breakdown of item 40 "Commission income"

A. Breakdown of item 40 "Commission income" (22.1)		
Items / Values	31-Dec-2015	31-Dec-2014
Guarantees given	165.639	182.759
Credit derivatives		
Investment services:	1.866.660	2.045.909
order receipt and transmission (lett.D 1 All.1 LISF)	1.472.932	1.592.278
order execution (lett. D2 All.1 LISF)		
financial instrument portfolio management (lett.D4 All.1 LISF)	393.728	453.631
financial instrument placement (lett.D5 and D6 All.1 LISF)		
Financial instrument consulting		
Distribution of third party services and products other than placement	1.176.362	885.095
asset management		
insurance products	275.000	220.092
other services or products	901.362	665.003
Collection and payment services	1.046.149	1.096.187
Depository banking services		
Custody and administration of financial instruments	424.091	438.538
Trust services	71.905	89.843
Collection and receipt services		
Brokerage	411.458	615.620
Other services	875.072	899.807
Total	6.037.335	6.253.758

Commission income suffers a slight decline due to the continuing microeconomic downturn.

Profit and Loss Account item 50

Table 50.1 - Breakdown of item 50 "Commission expense"

A. Breakdown of item 50 "Commission expense" (22.2)		
Items / Values	31-Dec-2015	31-Dec-2014
Guarantees given	4.070	
Credit derivatives		
Investment services:	603.461	682.398
order receipt and transmission (lett.D 1 All.1 LISF)	335.510	347.169
order execution (lett. D2 All.1 LISF)	208.325	225.341
financial instrument portfolio management (lett.D4 All.1 LISF)	21.075	11.951
- own portfolio		
- third party portfolio	21.075	11.951
financial instrument placement (lett.D5 and D6 All.1 LISF)	38.551	97.937
Financial instrument, product and service cold calling		
Collection and payment services	197.137	206.045
Other services	179.056	148.700
Total	983.724	1.037.143

A decrease in commission expense is recorded together with the decline in commission income.

Profit and Loss Account item 60

Table 23.1 - Breakdown of item 60 "Profits (losses) on financial transactions"

A. Breakdown of item 60 "Profits (losses) on financial transactions" (23.1)			
Items \ Operating segments \ Values as of 31 Dec 2015	Operations on financial instruments	Operations on currencies	Other operations
Revaluations	58.600		
Writedowns	2.686.079		
Other profits / losses (+/-)	-1.278.070	615.559	390
Total by operating segment	-3.905.550	615.559	390
Total general			-3.289.600

Item 60 includes the net result obtained from purchases of financial assets and foreign currency by customers, from the management of the financial trading portfolio of the bank. With respect to 2014, we will have the following details:

B. Breakdown of Profits (losses) on valuations and tradings of the segment "Transactions on financial instruments" according to the financial instrument categories (23.1)	Items \ Values as of 31 Dec 2015	Items \ Values as of 31 Dec 2014
	Operations on financial instruments	Operations on financial instruments
Government securities (+/-)		2.046.961
Other debt financial instruments (+/-)		4.954.974
Capital financial instruments (+/-)		7.231
Derivative contracts on financial instruments (+/-)		
Total (+/-)		7.009.166

The negative dynamics of the trading portfolio can be attributed to its breakdown represented by securities with short durations, which suffered strong market volatility.

Profit and Loss Account item 90

Table 24.1 - Number of employees by category

A. Number of employees by category (24.1)			
Items / Values	Average	Effective number as of 31 Dec 2015	Effective number as of 31 Dec 2014
Directors	5	5	5
Managers	15	16	14
Remaining personnel	129,00	127	131
Clerks	129	127	131
Other personnel			
Total	149	148	150

It should also be noted that in the personnel expenses are also included fees to corporate executives: directors and statutory auditors, as requested by art.IV.IV.6 of the regulation 2008-02. By comparison with

the previous year, personnel expenses fell by EUR 155,193 and the number of employees decreased by two units. For this reason the bank made no provision for MBO, namely, one-off bonuses paid to employees on the basis of the performances gained from the Network and Organizational Units.

Table 24.2 - Breakdown of sub-item b) "Other administrative expenses"

B. Breakdown of sub-item b) "Other administrative expenses" (24.2)		
Items / Values	31-Dec-2015	31-Dec-2014
Other administrative expenses	5.436.464	5.644.756
Expenses for professional services	898.754	831.432
Expenses for purchase of non-professional goods and services	1.686.665	1.567.434
Rental expenses and instalments	1.815.572	2.018.938
Insurance	263.448	292.965
Supervision charges	420.000	420.000
Charges for charity	85.350	97.139
Indirect taxes and taxes	266.674	416.848

Profit and Loss Account items 100 - 110

*Table 25.1 - Breakdown of items 100-110
 "Value adjustments on intangible and tangible assets"*

A. Breakdown of items 100-110 "Value adjustments on intangible and tangible assets" (25.1)		
Items / Values	31-Dic-2015	31-Dic-2014
Intangible asset adjustments:	930.261	1.209.188
- on leased assets		
- on other intangible assets	930.261	1.209.188
1.1. Software	421.254	803.527
1.2. Studies, research and training	37.899	24.288
1.3. Various long-term costs	321.197	231.903
1.5. Expenses for rented premises	85.787	85.346
1.6. Concession rights and underpass works	41.813	41.813
1.7. Goodwill intangible assets	22.311	22.311
Tangible asset adjustments:	28.109.006	23.377.165
- on leased assets	26.762.342	21.850.291
- on other tangible assets	1.346.664	1.526.874
2.1. Furniture, safes and plants	242.987	614.491
2.2. Electronic machines	140.965	126.961
2.3. Vehicles	24.554	27.672
2.4. Buildings and land	912.849	732.444
2.5. Equipment and machines	25.309	25.306
TOTAL	29.039.267	24.586.353

The contributions to the various amortization funds of the assets functional to the fiscal year constitute the sum of the shares accrued in 2015, calculated in relation to their residual possibility of utilization and coinciding with the percentages established by the new tax legislation 166/2013. Below is a list of the rates applied:

Buildings	3%
Furniture, Safes and Plants	15%
Electronic Machines	20%
Vehicles	20%
Software	20%
Expenses for Rented Premises	20%
Studies, Research, Training and Various	20%
Concession rights and underpass works	3%

The amortization rates include also the capital shares accrued during the fiscal year, relating to lease instalments of assets under financial leases, recorded as revenue in the other operating revenues as requested by the Reg. 2008/02 of Central Bank ref. art.IV.V.5.

Profit and Loss Account item 120

Table 25.2 - Breakdown of item 120 "Reserves for risks and charges"

A. Breakdown of item 120 "Provisions for risks and charges" (25.2)			
	Items / Values	31-Dec-2015	31-Dec-2014
<i>Provisions</i>			
Total		-	-

No provisions for reserves for risks and charges were made.

Profit and Loss Account item 130

Table 25.3 – Breakdown of item 130 "Provisions for risk on credits"

A. Breakdown of item 130 "Provisions for risk on credits" (25.3)			
	Items / Values	31-Dec-2015	31-Dec-2014
Total		-	-

Profit and Loss Account item 140

Table 25.4 - Breakdown of item 140

"Value adjustments on loans and provisions for guarantees and commitments"

A. Breakdown of item 140 "Value adjustments for loans and provisions for guarantees and commitments" (25.4)		
Items / Values	31-Dec-2015	31-Dec-2014
Value adjustments for loans	3.157.440	12.246.133
- of which flat-rate adjustments for country risk	68	371
- of which other flat-rate adjustments	192.413	658.491
Provisions for guarantees and commitments		
- of which flat-rate provisions for country risk		
- of which other flat-rate provisions		
Total	3.157.440	12.246.133

In accordance with the Regulation 2008-02, as already explained before, the bank should carry out analytical write-downs on the basis of each debtor's solvency and portfolio write-downs on the basis of the performance of its own economic sector and of the analogue country's one.

The value adjustments made in 2015 increase the provision for credits adjusting assets to a value suitable for the analytical write-downs related to the loss forecasts of each debtor and for the portfolio write-downs, as mentioned above, on the basis of the economic sector and the country risk, and are able to guarantee a 5.34% coverage of cash and off-balance-sheet loans, in line with the coverage data of San Marino system and with data on the credit quality of the main Italian banking concerns.

Table 25.5 - Different types of movements in item 140

"Value adjustments on loans and provisions for guarantees and commitments"

B. Other types of transactions in item 140 "Value adjustments for loans and provisions for guarantees and commitments" (25.5)				
Items / Values	31-Dec-2015		31-Dec-2014	
	Analytical	Flat-rate	Analytical	Flat-rate
Total cash credit writedowns	2.964.959	192.481	11.587.271	658.862
Credit writedown - non-performing	1.558.140		6.611.266	
Credit writedown - bad	919.044		4.976.005	
Credit writedown - other	487.775	192.481		658.862
Total cash credit losses	-	-	-	-
Non-performing				
Bad				
Other				
Total cash credit value adjustments (B010+B020)	2.964.959	192.481	11.587.271	658.862
Total provisions for guarantees and commitments	-	-	-	-
Guarantees				
Commitments				
Total	2.964.959	192.481	11.587.271	658.862
Total General		3.157.440		12.246.133

During 2015, losses from bad debts were recorded for an amount of EUR 7,832,345, which were covered using risk provisions for credits adjusting assets.

Profit and Loss Account item 150 – 160

Table 25.6 - Breakdown of item 150

"Writebacks on loans and on provisions for guarantees and commitments"

A. Breakdown of item 150 "Writebacks on loans and on provisions for guarantees and commitments" (25.6)			
Items / Values		31-Dec-2015	31-Dec-2014
Writebacks		-	-
On non-performing loans			
On bad loans			
On other loans			

Table 25.7 - Breakdown of item 160

"Financial asset adjustments"

A. Breakdown of item 160 "Financial asset adjustments" (25.7)			
Items / Values		31-Dec-2015	31-Dec-2014
Value adjustments			
- of which on investments			
- of which on investments in group companies			
- of which on other capital financial instruments			
- of which on other debt financial instruments			
- of which on derivative financial instruments			

Table 25.8 - Breakdown of item 170

"Financial asset writebacks"

A. Breakdown of item 170 "Financial asset writebacks" (25.8)			
Items / Values		31-Dec-2015	31-Dec-2014
Writebacks			
- of which on investments			
- of which on investments in group companies			
- of which on other capital financial instruments			
- of which on other debt financial instruments			
- of which on derivative financial instruments			

No value adjustment or writeback was made in the investment portfolio.

Profit and Loss Account item 70 - 80

Table 26.1/26.2 - Breakdown of items 70/80 "Other operating income", "Other operating charges"

	31.12.2015	31.12.2014	Changes amount	%
Other operating income:				
Rental income/Commission income	1.122.629	1.160.086	-37.458	-3,23%
Recovery of expenses	200.631	69.281	131.350	189,59%
Rental income	390.918	94.168	296.750	315,13%
Advice			0	
Other income on financial leasing contracts	26.838.100	21.899.331	4.938.769	22,55%
Total	28.552.277	23.222.866	5.329.411	22,95%

	31.12.2015	31.12.2014	Changes amount	%
Other operating charges:				
Leasing instalments		-	-	0%
Total	-	-	-	-

In accordance with the regulation on the preparation of the consolidated financial statements, we reiterate that the leasing instalments accrued during the fiscal year are recorded in the part concerning interests in the item interest income and similar income, and in the part concerning the share capital in the item other operating income. At the same time the bank reduces the value of the asset covered by financial lease for the principal amount by recording the amortization, therefore, the capital shares accrued are recorded under the item other income on assets leased, as well as redemptions and down-payments, whose amount is equal to EUR 21,899,331 in 2014 and EUR 26,762,341 in 2015.

Table 26.3: Breakdown of item 190 "Extraordinary income".

	31.12.2015	31.12.2014	Changes amount	%
Extraordinary income:				
- Margin on investment securities	2.824.108	2.059.684	764.424	37%
- Windfall gains	578.452	379.490	198.963	52,43%
- Collection on positions turned into losses	292.063	68.331	223.731	327,42%
- Redemption of customer relationships	13.275		13.275	-
- Other extraordinary income on utilization of provisions for risks		800.000	-800.000	
- Redemption of provision for legal and revocatory actions	197.070		197.070	-
Total	3.904.967	3.307.505	597.462	18,06%

Item "Margin on investment securities" shows an amount of EUR 2,824,108 deriving from the sale/redemption of securities included in the investment portfolio according to Regulation 2008/02.

Table 26.4 - Breakdown of item 200 "Extraordinary charges"

	31.12.2015	31.12.2014	Changes amount	%
Extraordinary charges:				
- Operating damage	-10.213	-3.600	-6.613	-184%
- Repayment of interest income, commissions and charges from customers	-20.822	-174.598	153.777	88,07%
- Redemption of customer relationships	-51.835	-46.899	-4.936	-10,53%
- Other extraordinary charges	-827.932	-143.169	-684.764	-478,29%
- Losses from disposal of property		11.854	-11.854	
- investment securities	-2.327.000	-	-2.327.000	
Total	-3.237.802	-356.412	-2.881.390	-808,44%

Item Investment securities shows the amount of EUR -2,327,000 resulting from the disinvestment of IRS transactions on investment securities disposed of during the year, whose income was recorded as extraordinary income.

Table 26.5 - Breakdown of item 220 "Tax for the year"

	31.12.2015	31.12.2014	Changes amount	%
Income tax for the year	769.144	920.358		-16,43%
Total	769.144	920.358	-151.213	-16,43%

Table 27.1 - Remuneration

	31.12.2015	31.12.2014	Changes amount	%
a) Directors	-142.678	-130.978		-8,93%
b) Auditors	-80.780	-78.317	-2.463	-3,15%
Total	-223.458	-209.294	-14.163	-6,77%

PART D – Other information

Table 27.01 – Remuneration

C. Remuneration (27.1)		
Items / Values	31-Dec-2015	31-Dec-2014
Directors	142.678	130.978
Auditors	80.780	78.316
Total	223.458	209.294

The following table provides an overview of the pro-forma profit and loss account and the main indicators:

PROFIT AND LOSS ACCOUNT	31/12/2015	% Intermed. margin	31/12/2014	% Intermed. margin	ABSOLUTE CHANGE	%
Interest income and similar revenues	30.827.647	127,16%	33.373.677	102,40%	-2.546.031	-7,63%
<i>of which: a) Interest income to customers</i>	25.209.158	103,99%	29.111.963	89,32%	-3.902.804	-13,41%
<i>b) Interest income to banks</i>	349.813	1,44%	501.183	1,54%	-151.370	-30,20%
<i>c) Interest income on debt securities</i>	5.268.675	21,73%	3.760.532	11,54%	1.508.143	40,10%
Interest expense and similar charges	-11.091.002	-45,75%	-15.634.996	-47,97%	4.543.993	-29,06%
<i>of which: a) Interest expense to customers</i>	-2.040.999	-8,42%	-1.976.393	-6,06%	-64.606	3,27%
<i>b) Interest expense on payables represented by securities</i>	-9.034.505	-37,27%	-13.609.781	-41,76%	4.575.277	-33,62%
<i>c) Interest expense to banks</i>	-15.499	-0,06%	-48.821	-0,15%	33.322	-68,25%
Interest margin	19.736.644	81,41%	17.738.682	54,42%	1.997.962	11,26%
Dividends and other revenues	952.250	3,93%	819.430	2,51%	132.821	16,21%
Financial margin	20.688.895	85,34%	18.558.111	56,94%	2.130.783	11,48%
Net commissions	5.053.611	20,85%	5.216.614	16,01%	-163.003	-3,12%
<i>of which: a) commission income</i>	6.037.335	24,90%	6.253.758	19,19%	-216.423	-3,46%
<i>b) commission expense</i>	-983.724	-4,06%	-1.037.143	-3,18%	53.420	-5,15%
Profit and loss on financial transactions	-3.289.600	-13,57%	7.445.733	22,84%	-10.735.333	-144,18%
<i>of which: a) On securities</i>	-3.905.550	-16,11%	7.092.893	21,76%	-10.998.442	-155,06%
<i>b) On exchanges</i>	615.950	2,54%	352.840	1,08%	263.109	74,57%
Other operating income	1.789.935	7,38%	1.372.575	4,21%	417.360	30,41%
Other overhead costs				0,00%	0	
Service margin	3.553.946	14,66%	14.034.923	43,06%	-10.480.976	-74,68%
Intermediation margin	24.242.841	100,00%	32.593.034	100,00%	-8.350.193	-25,62%
Operating costs	-18.731.624	-77,27%	-19.243.860	-59,04%	512.236	-2,66%
<i>of which: a) Staff expenses:</i>	-11.018.234	-45,45%	-10.863.041	-33,33%	-155.193	1,43%
<i>b) Other administrative expenses:</i>	-5.436.464	-22,43%	-5.644.756	-17,32%	208.292	-3,69%
<i>c) Tangible and intangible asset adjustments</i>	-2.276.925	-9,39%	-2.736.063	-8,39%	459.137	-16,78%
Operating result	5.511.217	22,73%	13.349.175	40,96%	-7.837.957	-58,71%
Allocations and net adjustments on credits	-3.157.440	-13,02%	-12.246.131	-37,57%	9.088.691	-74,22%
Provisions for risks and charges					0	
Financial asset adjustments		0,00%		0,00%	0	
Profit from operations	2.353.777	9,71%	1.103.043	3,38%	1.250.734	113,39%
Extraordinary profit (loss)	667.165	2,75%	2.951.093	9,05%	-2.283.928	-77,39%
Change in Reserves for general banking risks (+/-)	0	0,00%	0		0	
Income tax	-769.144	-3,17%	-920.358	-2,82%	151.213	-16,43%
Net profit for the period	2.251.798	9,29%	3.133.779	9,61%	-881.981	-28,14%

Tax rate			25,5%		22,70%
Cost/income			77,27%		59,04%
Interest margin/Intermediation margin			81,41%		54,42%
Service margin/Intermediation margin			14,66%		43,06%
Operating result/intermediation margin			22,73%		40,96%
Roe			2,36%		3,82%
STAFF EXPENSES/INTERM. MARGIN			45,45%		33,33%
ADMINISTR. EXPENSES (total)/INTERM. MARGIN			67,87%		50,65%
ADMINISTR. EXPENSES (other expenses)/INTERM. MARGIN			22,43%		17,32%
Roa			0,20%		0,25%

San Marino, 24 march 2016

The Director

The Chairman of the Board of Directors

CONSOLIDATED BALANCE SHEET FINANCIAL STATEMENT 2015

**GRUPPO BANCARIO BANCA AGRICOLA COMMERCIALE S.P.A.
ISTITUTO BANCARIO SAMMARINESE S.P.A.**





CONSOLIDATED BALANCE SHEET FINANCIAL STATEMENTS 2015

As of 31/12/2015, the group has a consolidated value of total deposits of 1,541 million, divided into direct and indirect deposits, for EUR 795 and 747 million respectively; the aggregate shows a reduction of 10.93% compared to 31/12/2014 due to the known "Voluntary Disclosure" referred to in the individual financial statements.




Total balance sheet assets amount to 1,368 million compared to 1,561 million as of 31/12/2014, while loans to customers, expressed at their estimated realizable value (therefore already net of the risk provision for credits of EUR 37.718 million) fell from 729 million to 668 million, showing a decrease of 88 million in absolute terms.

In the year 2015, the group achieved a remarkable consolidated intermediation margin of EUR 52.732 million, although showing a reduction compared to 2014, -6.30% in percentage terms and 3.547 million in absolute terms.

Operating costs, which increased by 9.6% to 47.0322 million (compared to 42.772 million in the year 2014), can basically be attributed to the amortization for the capital share of assets subject to financial leasing granted to customers, accounting for 26.762 million on 2015 and 21.850 million on 2014, while the effective adjustments on immovable fixed assets were down by 16.52% (2.319 million in 2015 compared to 2.778 million in 2014). On the contrary, personnel costs remained stable, with a slight increase of 1.31%, while administrative expenses kept falling due to the rationalization and the optimized economies of scale adopted in the previous year, with a decline of 5.25% (-0.345 million). The Report shows a strong decrease in the operating result, equal to -7.806 (-57.80%) compared to 13.506 million in 2014, and a consolidated profit of EUR 2.357 million, after expending risk provisions for credits and provisions for risks and charges for a total of 3.157 million, which arise from an accurate and strict assessment of the credits of all the companies of the group.

The Report sets out the consolidated data for 2015, compared with the data for 2014, processed on the basis of the new consolidation area that saw the entry of the Insurance Company in 2012. The consolidated data were reconstructed according to the accounting principles pertaining to the consolidated balance sheet and were compared with those processed the previous year.

In consideration of the foregoing, reference should be made to the tables set out below and to the Report of the Parent Company for a summary overview of the Statement of Assets and Liabilities and the Profit and Loss Account consolidated as of 31 December 2015, which were drawn up according to the following stages:

-  the individual accounting situation of BAC as of 31/12/2015, which was added to that of the subsidiaries of the group at 100% in order to obtain a first reference aggregate;
-  the reciprocal balance sheets existing on 31/12/2015 were annulled and the reciprocal cost and revenue postings occurred during the year between the companies of the group were reversed;
-  the items of the shareholders' equity of the subsidiaries were cancelled as a counter part of the values of the shareholding interests and the resulting difference (consolidated surplus) was attributed to the shareholders' equity of the parent company.

FINANCIAL STATEMENT

ITEMS IN ASSET POSTINGS

Consolidated Financial Statement BAC - Bac Fiduciaria - San Marino Life					
Item code	Asset items	31 Dec 2015	31 Dec 2014	absolute change	percent change
10	Cash and cash equivalents	4.504.145	4.247.409	256.736	6,04%
20	Loans to banks	112.445.967	158.632.857	-46.186.890	-29,12%
	a. at sight	45.829.232	40.686.416	5.142.816	12,64%
	b. other receivables	66.616.735	117.946.441	-51.329.706	-43,52%
30	Loans to customers	504.209.266	564.979.055	-60.769.788	-10,76%
40	Bonds and other debt financial instruments	309.704.236	415.969.695	-106.265.458	-25,55%
	a. public issuers	189.696.828	215.830.834	-26.134.006	-12,11%
	b. bank issuers	5.783.800	79.451.117	-73.667.317	-92,72%
	b.1. of which own financial instruments	-	-	-	-
	c. investors (investment firms)	-	13.519.758	-13.519.758	-100,00%
	d. other issuers	114.223.608	107.167.986	7.055.622	n.d.
50	Shares, stocks and other capital financial instruments	124.064.982	83.993.169	40.071.813	47,71%
60	Shareholdings	4.559.508	4.638.186	-78.678	-1,70%
70	Investments in bank group companies	337.689	75.404	262.285	347,84%
80	Intangible fixed assets	2.664.516	2.904.995	-240.479	-8,28%
	a. of which goodwill	54.810	77.121	-22.311	-28,81%
90	Tangible fixed assets	214.758.142	218.363.000	-3.604.858	-1,65%
	a. of which financial leases	144.680.403	164.970.647	-20.290.244	-12,30%
	b. of which assets awaiting lease	20.089.463	29.930.058	-9.840.595	-32,88%
100	Subscribed share capital not paid-in	-	-	-	-
110	Treasury shares or stocks	11.518	11.518	-	0,00%
120	Other assets	90.441.043	105.069.836	-14.628.793	-13,92%
130	Accrued income and prepaid expenses	777.575	1.825.655	-1.048.080	-57,41%
	a. accrued income	453.752	1.618.830	-1.165.078	-71,97%
	b. prepaid expenses	323.823	206.825	116.998	56,57%
140	Total assets	1.368.478.588	1.560.710.778	-192.232.190	-12,32%

* expressed at the fair value (total adjustment risk provisions for credits amounting to Euro 37.718.285)

FINANCIAL STATEMENT

ITEMS IN LIABILITY POSTINGS AND EQUITY

Item code	Liability items	31 Dec 2015	31 Dec 2014	absolute change	percent change
10	Amounts due to banks	2.727.790	21.729.293	-19.001.502	-87,45%
	a. at sight	2.453.640	21.497.594	-19.043.953	-88,59%
	b. term or without notice	274.150	231.699	42.451	18,32%
20	Amounts due to customers	490.203.673	541.156.415	-50.952.742	-9,42%
	a. at sight	475.467.636	504.252.638	-28.785.002	-5,71%
	b. term or without notice	14.736.038	36.903.777	-22.167.740	-60,07%
30	Payables represented by financial instruments	386.707.916	486.839.004	-100.131.087	-20,57%
	a. bonds	-	25.468.076	-25.468.076	-100,00%
	b. certificates of deposit	386.707.916	461.370.928	-74.663.012	-16,18%
	c. other financial instruments	-	-	-	-
40	Other liabilities	99.550.505	116.446.246	-16.895.741	-14,51%
50	Accrued expenses and deferred income	77.915	250.838	-172.923	-68,94%
	a. accrued expenses	26.900	135.568	-108.668	-80,16%
	b. deferred income	51.015	115.270	-64.255	-55,74%
60	Severance	1.219.378	1.163.161	56.217	4,83%
70	Reserves for risks and charges	3.371.940	3.492.910	-120.971	-3,46%
	a. provision for pensions and similar obligations	-	-	-	-
	b. tax reserves	1.064.949	988.432	76.518	7,74%
	c. other reserves	2.306.990	2.504.479	-197.488	-7,89%
80	Risk provisions for credits not adjusting assets	-	-	-	-
90	Technical Reserves	269.348.670	287.350.396	-18.001.726	-6,26%
100	Subordinate liabilities	20.030.402	20.080.556	-50.154	-
110	Share capital	20.880.080	20.880.080	-	0,00%
120	Share premium reserves	-	-	-	-
130	Reserves	57.510.721	56.055.824	1.454.897	2,60%
	a. ordinary reserves	57.499.203	56.044.306	1.454.897	2,60%
	b. treasury share reserves	11.518	11.518	-	0,00%
	c. extraordinary reserves	-	-	-	-
	d. other reserves	-	-	-	-
140	Revaluation reserves	14.597.800	3.645.851	10.951.949	nd
150	Retained earnings (losses) (+/-)	-	-1.678.963	1.678.963	-
160	Net income (loss) for the period (+/-)	2.357.942	3.335.651	-977.709	-29,31%
	Minority interests	-	-	-	-
	Merger surplus	-106.143	-36.483	-69.660	190,94%
170	Total liabilities	1.368.478.588	1.560.710.778	-192.232.190	-12,32%

FINANCIAL STATEMENT

PROFIT AND LOSS ACCOUNT

Item code	Profit and Loss Account items	31 Dec 2015	31 Dec 2014	absolute change	percent change
	Insurance premiums	43.678.636	9.504.952	34.173.684	359,54%
10	Interest income and similar revenues	32.145.239	34.486.685	-2.341.446	-6,79%
	a. on loans to customers	25.191.727	29.093.879	-3.902.151	-13,41%
	b. on debt securities	6.603.888	4.891.623	1.712.265	35,00%
	c. on amounts due from banks	349.623	501.183	-151.560	-30,24%
20	Interest expense and similar charges	-11.090.812	-15.634.777	4.543.964	-29,06%
	a. on payables to customers	-15.309	-1.976.174	1.960.866	-99,23%
	b. on bond payables	-2.040.999	-13.609.781	11.568.782	-85,00%
	c. on amount due to banks	-9.034.505	-48.821	-8.985.684	18405,34%
30	Dividends and other revenues	76.504	8.817	67.688	767,72%
	a. on stocks	-	-	-	-
	b. on shares	76.504	8.817	67.688	767,72%
	c. on group company shares	-	-0	0	-100,00%
40	Commission income	6.351.969	6.693.602	-341.633	-5,10%
50	Commission expense	-709.655	-817.813	108.159	-13,23%
60	Profits (losses) on financial transactions (+/-)	3.404.211	20.273.467	-16.869.257	-83,21%
70	Other operating income	30.215.932	24.693.012	5.522.920	22,37%
80	Other overhead costs	-51.339.562	-22.928.479	-28.411.083	123,91%
90	Administrative expenses	-17.950.026	-18.143.154	193.128	-1,06%
	a. personnel expenses	-11.720.192	-11.568.191	-152.001	1,31%
	a.1. salaries and wages	-8.364.014	-8.279.028	-84.986	1,03%
	a.2. welfare contributions	-2.108.777	-2.109.552	775	-0,04%
	a.3. severance	-821.721	-799.423	-22.298	2,79%
	a.4. dormancy and similar	-	-	-	-
	a.5. directors and auditors	-268.140	-253.705	-14.435	5,69%
	a.6. other personnel costs	-157.540	-126.484	-31.056	24,55%
	b. other administrative expenses	-6.229.834	-6.574.963	345.129	-5,25%
100	Intangible asset adjustments	-965.026	-1.244.297	279.271	-22,44%
	-of which on intangible assets leased	-	-	-	-
110	Tangible asset adjustments	-28.117.134	-23.384.987	-4.732.147	20,24%
	-of which on tangibles assets leased	-26.762.342	-21.850.291	-4.912.051	22,48%
120	Provisions for risks and charges	-	-	-	-
130	provisions for risks on credits	-	-	-	-
140	Value adjustments for loans and provisions for guarantees and commitments	-3.157.440	-12.246.131	9.088.691	-74,22%
150	Writebacks on loans and on provisions for guarantees and commitments	-	-	-	-
160	Financial asset adjustments	-	-	-	-
170	Financial asset writebacks	-	-	-	-
180	Operating income (loss)	2.542.835	1.260.895	1.281.940	101,67%
190	Extraordinary income	3.949.291	3.571.192	378.099	10,59%
200	Extraordinary expense	-3.274.457	-366.512	-2.907.945	793,41%
210	Extraordinary income (loss)	674.834	3.204.680	-2.529.846	-78,94%
220	Variations in general banking risk reserves (+/-)	-	-	-	-
230	Taxation for the year	-859.727	-1.129.924	270.197	-23,91%
240	Income (loss) for the period	2.357.942	3.335.651	-977.709	-29,31%

FINANCIAL STATEMENT

GUARANTEES AND COMMITMENTS

Item code	Items	31 Dec 2015	31 Dec 2014	absolute change	percent change
10	Guarantees given	22.136.593	36.371.499	-14.234.906	-39,14%
	a. acceptances	2.431.138	6.882.510	-4.451.373	-64,68%
	b. other guarantees	19.705.455	29.488.989	-9.783.534	-33,18%
20	Commitments	66.718.016	86.132.651	-19.414.635	-22,54%
	a. for specific use	-	15.851.751	-15.851.751	-100,00%
	a.1. of which financial instruments	-	4.631.751	-4.631.751	
	b. for unspecific use	8.784.883	2.840.159	5.944.723	209,31%
	b.1. of which financial instruments	-	-	-	
	c. other commitments	57.933.134	67.440.742	-9.507.608	-14,10%
30	Total	88.854.609	122.504.150	-33.649.541	-27,47%

DEPOSITS AND LOANS TO CUSTOMERS

Deposits/Loans	31 Dec 2015	31 Dec 2014	absolute change	percent change
Amounts due from customers	648.889.669	729.949.702	-81.060.033	-11,10%
Coverage	5,40%	5,33%	0,07%	1,28%
Coverage on doubtful loans	20,49%	24,56%	-4,07%	-16,56%
Loans/direct deposits	81,62%	70,08%	11,54%	16,46%
Direct deposits	795.056.278	925.928.172	-130.871.894	-14,13%
of which CD	370.031.400	450.904.400	-80.873.000	-17,94%
of which Bonds	3.787.000	20.127.000	-16.340.000	-81,18%
of which deposits at sight	420.387.897	454.386.809	-33.998.912	-7,48%
			-	
Indirect deposits	746.701.549	805.070.029	-58.368.481	-7,25%
a. Administered deposits	319.372.841	361.717.726	-42.344.885	-11,71%
a.1. of which administered funds	-	-	-	
b. Managed deposits	427.328.708	443.352.304	-16.023.596	-3,61%
b.1. of which managed funds	121.524.063	103.779.808	17.744.255	17,10%
b.2. of which insurance bank	269.029.281	286.566.928	-17.537.647	-6,12%
c. of which Trust assets included in the indirect deposits and at sight	205.067.893	205.067.893	-	0,00%
Total Deposits	1.541.757.827	1.730.998.202	-189.240.375	-10,93%

RECLASSIFIED CONSOLIDATED PROFIT AND LOSS ACCOUNT

CONSOLIDATED INCOME STATEMENT	31/12/2015	31/12/2014	ABSOLUTE CHANGE	%
Interest margin	21.130.930	18.860.725	2.270.206	12,04%
Net commissions	5.642.314	5.875.788	-233.474	-3,97%
Profits and losses from financial transactions	3.404.211	20.273.467	-16.869.257	-83,21%
Other revenues	-21.123.630	1.764.533	-22.888.163	-1297,12%
Brokerage income	-12.077.105	27.913.789	-39.990.893	-143,27%
Margin on insurance operations	43.678.636	9.504.952	34.173.684	359,54%
Gross income	52.732.462	56.279.465	-3.547.003	-6,30%
Personnel expenses	-11.720.192	-11.568.191	-152.001	1,31%
Administrative expenses	-6.229.834	-6.574.963	345.129	-5,25%
Tangible and intangible asset adjustments	-29.082.160	-24.629.284	-4.452.876	18,08%
- of which Vaue adjustments on tangible and intangible assets leased.	-26.762.342	-21.850.291	-4.912.051	22,48%
Operating costs	-47.032.187	-42.772.439	-4.259.748	9,96%
Operating result	5.700.275	13.507.027	-7.806.751	-57,80%
Provisions and net adjustments on credits	-3.157.440	-12.246.131	9.088.691	-74,22%
Extraordinary profit	674.834	3.204.680	-2.529.846	-78,94%
Taxation on income for the year	-859.727	-1.129.924	270.197	-23,91%
Result for the year	2.357.942	3.335.651	-977.709	29,31%

AGGREGATE DATA OF THE BANKING GROUP AND SAN MARINO BANKING SYSTEM – MARKET SHARE AS OF 31/12/2015

figures in thousand of euro

Description of items	System Aggregate Data		Aggregate data of the bank group	Group market share vs
	30/09/2015	31/12/2015	31/12/2015	30/09/2015
Main asset items				
Loans	3.816.817		706.297	18,50%
of which non-performing loans	750.604		76.125	10,14%
Bonds and debt securities	1.138.844		309.704	27,19%
Interests and equity securities	330.793		128.962	38,99%
Deposits				
Direct deposits	5.007.280		795.056	15,88%
of which deposits to customers at sight	2.244.404		420.388	18,73%
of which Certificates of Deposit	2.011.965		370.031	18,39%
of which Bonds	549.992		3.787	0,69%
Indirect deposits	1.998.322		746.702	37,37%
of which: administered securities	1.741.942		656.627	37,70%
of which: classical asset managements	228.775		90.074	39,37%
Total deposits	7.005.601		1.541.758	22,01%
Deposits and interbank loans				
Credits vs banks	486.060		112.446	23,13%
Debts vs banks	46.215		2.728	5,90%
Shareholders' equity and total assets				
Shareholders' Equity	413.138		95.240	
Total Assets	5.796.748		1.368.479	
Operating indicators				
Loans/direct deposits	76,23%		88,84%	
Gross non-performing loans/Gross loans	19,67%		10,78%	
Shareholders' equity/Total assets	7,13%		6,96%	

San Marino, 24 march 2016

The President

AUDITOR REPORT ON THE FINANCIAL STATEMENT

8



AUDITOR REPORT ON THE FINANCIAL STATEMENT



Banca Agricola Commerciale S.p.A.

Auditing firm's report pursuant to article 33 of Law no. 165/2015,
article 68 of Law no. 47/2006 and article VI.II.3 of Regulation 2007-07



Auditing firm's report pursuant to article 33 of Law no. 165/2015, article 68 of Law no. 47/2006 and article VI.II.3 of Regulation 2007-07.

To the shareholders of Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.

Report on the financial statements

1. We audited the enclosed financial statements of Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A., made up of the statement of assets and liabilities as at 31 December 2015, the profit and loss account for the year closed as at such date and the explanatory notes.

Responsibility of the directors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the legislation in force in the Republic of San Marino which governs their preparation.

Responsibility of the auditing firm

Our responsibility is to provide a professional opinion on such financial statements, based on our audit. We carried out our audit in accordance with the international audit principles (ISA Italy) drawn up pursuant article 11, paragraph 3, of Legislative Decree 39/2010. These standards require compliance with ethical principles, as well as the planning and conduct of the audit in order to obtain reasonable assurance whether the financial statements are free from significant errors.

The audit implies the conduct of procedures intended to obtain the evidence supporting the amounts and information contained in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of significant errors in the financial statements due to fraud or unintentional conduct or events. In making these risk assessments, the auditor considers the internal control relating to the preparation of the company's financial statements that give a true and fair view in order to design procedures appropriate to the circumstances, and not to express an opinion on the effectiveness of the company's internal control. The audit includes the assessment of the appropriateness of the accounting policies used, the reasonableness of the accounting estimates made by the directors, and the assessment of the presentation of the financial statements as a whole.

We believe that we obtained sufficient and appropriate evidence on which to base our judgment.

Judgment

In our opinion, the financial statements give a true and fair view of the equity and financial position of Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A. as at 31 December 2015 and the economic result for the year closed as at such date, in accordance with the legislation in force in the Republic of San Marino which governs their preparation.

Other aspects

The financial statements for the year closed as of 31 December 2014 was audited by the then auditor in charge, who expressed an unmodified judgment on the financial statements with report issued on 13.04.2015.

Bologna, 31 March 2016

BDO Italia S.p.A.

Rosanna Vicari
Partner

Aosta, Bari, Bergamo, Bologna, Brescia, Cagliari, Firenze, Genova, Milano, Napoli, Novara, Padova, Palermo, Pescara, Potenza, Roma, Torino, Treviso, Trieste, Verona, Vicenza

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Istituto Bancario Sammarinese

DIREZIONE GENERALE

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