

NETWORK

HISTORY

GROUP

TRUST



BAC

BANCA
AGRICOLA
COMMERCIALE
Istituto Bancario Sammarinese

FUTURE

EVOLUTION

TRANSPARENCY

SERVICES

SOLIDITY

EXPERTISE

PEOPLE

RESPONSIBILITY

GUARANTEE

SAFETY

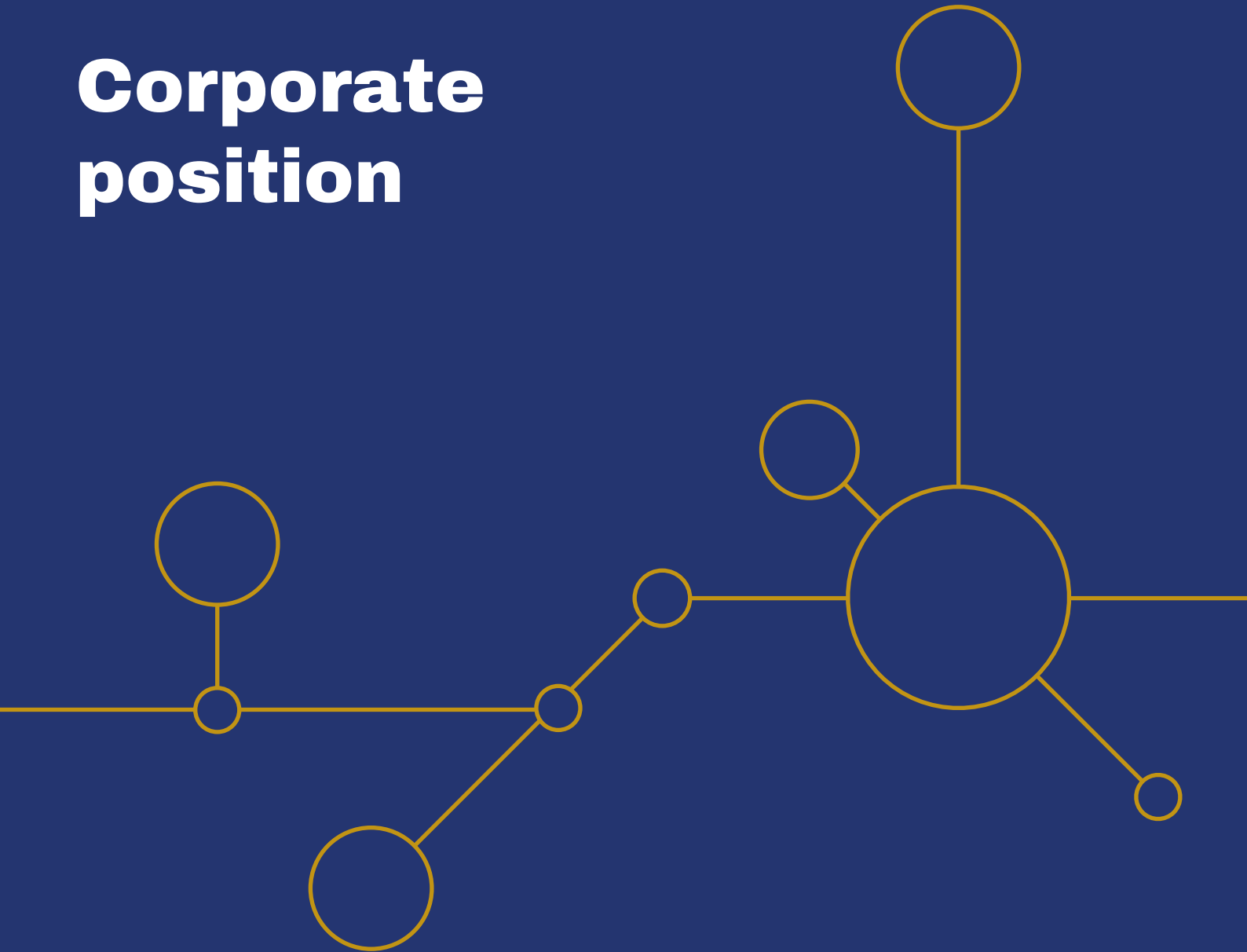
TERRITORY
CLOSENESS

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01

Corporate position



Board of Directors

Biagio Bossone

CHAIRMAN

appointed by the shareholders' meeting on 23th June 2021

Daniele Savegnago

DEPUTY CHAIRMAN

appointed by the shareholders' meeting on 23th June 2021

Micaela Licia Menicucci

GENERAL MANAGER

Councilors

Emanuele Cesarini

appointed by the shareholders' meeting on 23th June 2021

Andrea Ragagni

appointed by the shareholders' meeting on 23th June 2021

Francesco Gennari

Board of Statutory Auditors

Vanessa Tavolini

CHAIRMAN

appointed by the shareholders' meeting on 23th June 2021

Alberto Vaglio

AUDITOR

Giorgio Rusticali

AUDITOR

General Management

Micaela Licia Menicucci

GENERAL MANAGER

02

Shareholders' meeting



On Wednesday **23 June 2021** – first meeting at 5:00 p.m. and **second meeting at 5:30 p.m.** – venue: Villa BAC, in via del Pubblico Precettore 31 – 47891 Falciano (Republic of San Marino), will hold the

SHAREHOLDERS' MEETING

To discuss the following

AGENDA

- 1) Reports of the Board of Directors and the Board of Statutory Auditors; presentation of the financial statements as of 31 December 2020 and related decisions;
- 2) Appointment of Directors and determination of their remuneration;
- 3) Resignation of two members of the Board of Statutory Auditors: their replacement and determination of their remuneration;
- 4) Determination of the amount to be allocated to charity.

Pursuant to Article 16 of the Articles of Association:

“Only shareholders who are registered in the shareholders’ register at least five days before the date set for the first meeting are entitled to attend the meeting.”

Pursuant to Article 20 of the Articles of Association:

“The meeting is duly constituted when it is attended by as many shareholders who represent in person or by proxy:

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

At the first and second meeting, the Shareholders’ Meeting resolves by a majority vote of the shares represented at the meeting.

---omissis---.”

San Marino, 1 June 2021

The Chairman of the Board of Directors
Avv. Luigi Lonfernini

03

Report of the Board of Directors

Report of the Board of Directors on the 2020 Financial Statements

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Macroeconomic scenario

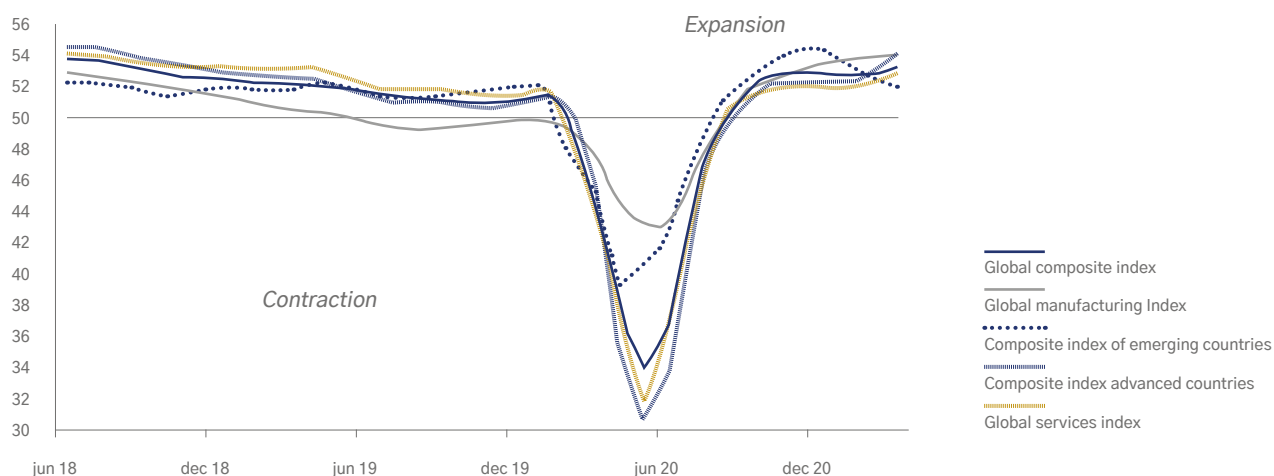
The international context¹

The pandemic slows down, but still heavily affects the international economy.

In recent months the spread of the coronavirus has shown a slight deceleration. This, together with the continuation of the vaccination campaign, albeit with frictions due to the limited availability of doses in some countries, suggests a return to near-normal activity levels for advanced economies in the second half of this year (2021). In contrast, according to the World Health Organization, mass immunity would not be achieved until 2022, for emerging and developing countries. As of 12 April 2021, the percentage of the population fully vaccinated, i.e., that had already received the second dose, if any, was 57% in Israel, 22% in the United States, while the average for the European Union and Italy was just over 6%.

Since the beginning of the year, purchasing managers' confidence indices (PMI) have continued to signal the expansion of economic activity, especially manufacturing, in both advanced and emerging economies. In March 2021, the global composite indicator registered its highest value in 79 months (54.8), with the services index almost catching up with manufacturing (54.7 vs. 55.0 respectively); the expansion of the economy of emerging countries in recent months has been less strong than that of advanced countries (52.6 vs. 55.9 respectively; fig.1).

¹ Source: upB-note of April 2021.



Source: IHS Markit.

Confidence indices based on business purchasing managers' ratings; a value above 50 indicates expansion.

Figures for the last three months of 2020 showed strong heterogeneity among the major economies. In China, GDP accelerated (the year-on-year change was 6.5% compared with 5.0% in the previous quarter), the United States and Japan saw a deceleration (to 1.0% and 2.8%, respectively, in cyclical terms, from 7.5% and 5.3% in the previous three months), whilst in the euro area activity slowed down (the year-on-year change was 0.7%, following a rebound of 12.5% in the previous quarter). In autumn 2020 the restrictions adopted by the Western countries were only slightly less than in the second quarter² and nevertheless the effects on GDP were much smaller and lower than expected. Possible explanations include both the level effect, whereby the restrictions in the latter part of the year affected economic activity that was already lower in itself, and the so-called lockdown fatigue, whereby the same level of severity in de jure restrictions was matched by less stringent de facto restrictions³. According to the OECD, the impact of the second pandemic wave on the economy may also have been mitigated by more targeted health measures, income support measures and the ability of consumers and businesses to adapt to the changed operating conditions.

² The Oxford University Stringency Index measure is used as a benchmark.

³ In this direction the interpretation of Goldstein, P., Levy Yeyati, E. e Sartorio, L. (2021) "Lockdown fatigue: The declining effectiveness of lockdowns", 30 march can be extended to economic activity.

The new forecasts of the International Monetary Fund ⁴

In its forecasts of 06.04.21, the International Monetary Fund (hereinafter also IMF) revised its forecasts for the global economy for the better and, albeit with due caution, now describes a picture of prospects in which there seems to be more light than shade. “Although with a high level of uncertainty regarding the dynamics of the pandemic, an exit from this health and economic crisis is becoming increasingly visible,” says the chief economist, Gita Gopinath, in the introduction to the World Economic Outlook published at the spring meetings, always held in a virtual format due to Covid-19. After the -3.3% of GDP caused by the pandemic crisis, the Washington-based institution now estimates a rebound of 6% in 2021, 0.5 percentage points higher than the figures indicated at the end of January, and indicates a further +4.4% (raised by 0.5 points) in 2022. In the USA, after the new stimulus package launched by the Biden administration (which is now looking for tax revenues) the forecast for the 2021 recovery was raised by 1.3 points, to +6.4% this year, and by 1 percentage point for 2022, to +3.5%. In the euro area, on the other hand, the increase was limited to 0.2 percentage points in both years, respectively +4.4% and +3.8%. China, then, the only major economy not to have recorded a recession in 2020 (gdp +2.3%), is expected to mark a +8.4% this year (raised by 0.3 percentage points) and a +5.6% next year (unchanged). “Thanks to the ingenuity of the scientific community, we have a multiplicity of vaccines which can reduce the severity and frequency of infections,” says Gopinath, who points out that “in parallel, adaptation to pandemic life enabled the economy to do well despite limited mobility, paving the way for a stronger-than-expected rebound on average”. The IMF’s chief economist cites new U.S. stimulus as among the factors leading to the revisions for the better. “However, the outlook presents intimidating challenges”, she warns, “related to divergence in the speed of recovery across countries and within economies themselves to potential lingering damage from the crisis.” A “high level of uncertainty” looms over these expectations, and at the moment, a lot depends on the “race” between vaccinations and viruses, and any progress on this front could improve the outlook. On the contrary, “new variants that escape vaccines,” Gopinath notes, “may result in heavy revisions for the worse”.

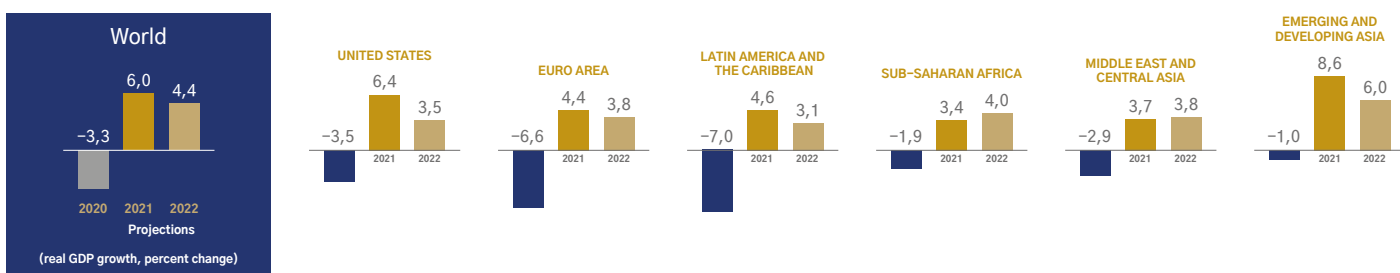
The IMF also consistently revised its forecast for Italy’s economic recovery for the better this year after the 2020 GDP slump. It now estimates +4.2% for the economy over 2021, according to data in the World Economic Outlook, and a further +3.6% in 2022. These are the first IMF estimates for Italy after the arrival of the Draghi government, the figure for this year is 1.2 percentage

⁴ Source: Milano Finanza.

points higher than the forecast updated on January 26th. The figure for 2020 (-8.9%) also appears less serious than the -9.2% estimated at the time. Looking ahead to 2026, however, growth expectations are weaker, equal to +0.8% per year on the Peninsula.

Finally, Italian public debt will be 157.1% of GDP in 2021, before falling to 155.5% in 2022 and 151% in 2026. The deficit/GDP ratio, which rose to 9.5% in 2020, will drop to 8.8% in 2021, 5.5% in 2022 and stand at 1.8% in 2026. The negative effects of the pandemic crisis on unemployment will also continue next year: according to the latest forecasts of the International Monetary Fund, the unemployment rate will rise from 9.1% in 2020, to 10.3% this year in Italy, and further to 11.6% in 2022.

WORLD ECONOMIC OUTLOOK APRIL 2021 GROWTH PROJECTION BY REGION (PERCENT CHANGE)



IMF.org/social
Fonte: IMF, World Economic Outlook, April 2021
Order of bars for each group indicates (left to right): 2020, 2021 projections, and 2022 projections.

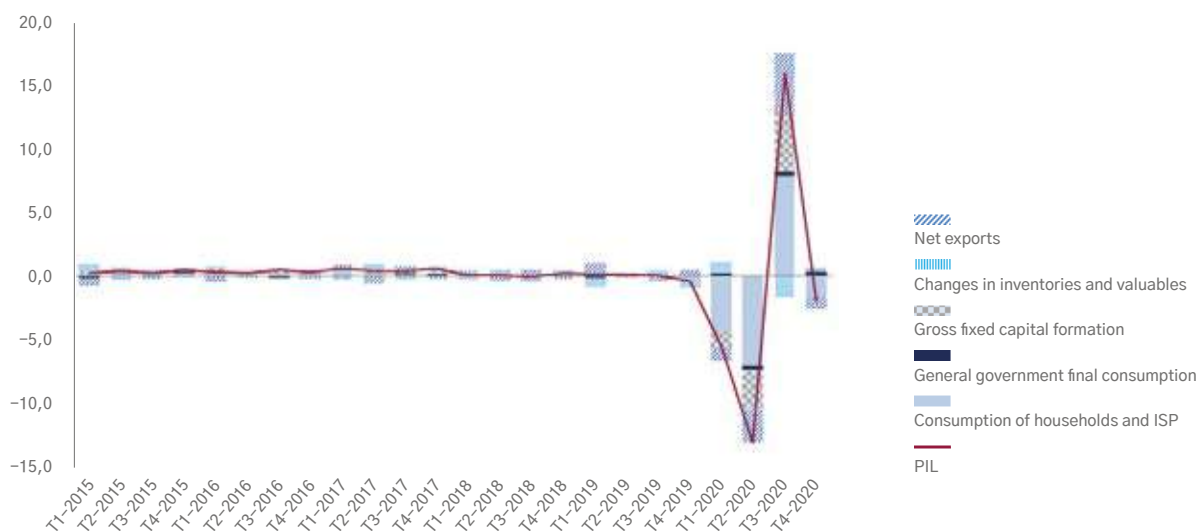
Italian economy

GDP down again at the end of last year

The complete estimate of the quarterly profit and loss accounts, released in early March 2021 by ISTAT, revised the economic downturn in GDP in the fourth quarter of last year slightly upwards (to -1.9% from -2.0% in the February flash estimate). The contraction in economic activity, which was more marked than in the major countries in the area, reflected the containment measures adopted in the autumn to counter the second wave of the pandemic. On the supply side, there was a moderate reduction in added value in industry (-0.7% compared with the summer period) and a

Fig. 4 - Change in GDP and contributions from demand components > Source ISTAT.

sharper reduction in services (-2.3%), which were primarily affected by closures imposed on the hospitality and catering sectors. On the demand side, both the domestic and foreign components contributed negatively to the change in GDP (fig. 8), reflecting the more cautious spending behavior of households and a greater slowdown in exports than in imports. In 2020 as a whole, GDP fell by 8.9%, the all-time low ever recorded in times of peace. The contraction in gross fixed investment (-9.1%) and domestic final consumption (-7.8%) was accompanied by a drop in exports of goods and services (-13.8%) which was greater than that of imports (-12.6%).



1.2 Banche post Covid ⁵

The Covid-19 pandemic triggered a deep global economic crisis. However, in the midst of the financial turmoil of recent months, banks have been a source of resilience. Thanks to major reforms following the 2007-2009 global financial crisis, the much better capitalized and more liquid banks have not been under immediate stress. In fact, banks are seen as useful in supporting the real funding needs of the industry. But subsequently they may come under stress. Large-scale insolvencies may arise among firms. A wave of bankruptcies among households may follow. Banks may eventually become trapped, with stresses exceeding those predicted in many tests. The effects of the crisis add to the combination over the past decade of consistently low interest rates, regulatory changes, and competition from shadow banks and new digital players defying the traditional pre-Covid-19

⁵ Source: Wall Street Italia.

banking business model. Wall Street Italia's report addresses these crucial challenges, examines the competitive responses of different players – both incumbents and new entrants – and related policy and regulatory issues.

In doing so, it argues that:

- in the short term, banks may enjoy a revitalization of relationship lending as they channel funds to customers during the crisis and enjoy the protection of the safety net and access to deposit funding.
- However, the Covid-19 crisis will accelerate pre-crisis trends as subdued growth and low interest rates will persist for a long time. It will test the resilience of the financial system, the regulatory reforms implemented after the global financial crisis, and the limits of central bank intervention.
- Although banks may benefit from temporary regulatory and supervisory relief, digitization will receive a major boost, with new entrants challenging banks. Digitization will increase the contestability of financial services, but its long-term impact will depend on the prevailing market structure. The banking industry may move from the traditional oligopoly to a system with a few dominant platforms controlling access to a fragmented customer base, with a few BigTech companies and a few platform-turned-incumbents monopolizing the interface with customers.
- Mid-sized banks will suffer as they are unable to manage the cost efficiencies and IT investments that are crucial in the new environment. Consolidation could be an escape route for troubled banks, but in the post-Covid-19 world, political obstacles to cross-border mergers could re-emerge as states become more protective of their national banking champions, with banks considered strategic.
- Regulators must adapt to the digital revolution by balancing facilitating competition and enabling the benefits of innovation with protecting financial stability. To do so, they must coordinate prudential regulation and competition policy with data policies, navigating complex trade-offs.

The San Marino context

IMF – The economy of the Republic of San Marino has withstood the impact of the pandemic

«The Covid-19 pandemic had a significant impact on the San Marino economy, which, however, showed resilience despite pre-existing challenges». This is the finding of the International Monetary Fund's report on the Republic of San Marino following the virtual meetings held from 8 to 12 February 2021 to discuss recent economic and financial developments and progress on the structural reform agenda. «Traditional sectors such as tourism and retail trade», the IMF noted, «were particularly hard hit. In this difficult context, the policy support provided by the government was appropriate and helped the economy cope with the fallout from the pandemic. The authorities intend to provide further support until the recovery is on solid footing. While the exact details of the new policy support are currently under discussion, the continuation of some of the measures taken last year appear reasonable. Financing was secured by a one-year loan issued in December and a three-year Eurobond issued on February 16 for a total of € 490 million». The Titan government's budget strategy, the IMF further noted, «is ambitious and will require broad political and social support and appropriate sequencing and prioritization to maximize its chances of success». The International Monetary Fund welcomed «the intention to pursue further structural fiscal reforms». In this regard –they write– the introduction of a well-designed VAT in a timeframe consistent with the capacity of the tax administration is essential to increase revenue collection. There is also an invitation to embark on the path towards reform of the pension system, a path that the Government is already embarking on. At the same time, the rationalization of tax exemptions could further aid efforts.” The resilience of the financial sector during the pandemic, the report finally points out, «was remarkable. Although deposits have remained stable, the impact of the crisis on non-performing loans (NPLs) has so far been limited. The invitation that is left is to continue on the path of restructuring of the financial sector towards objectives of efficiency and profitability of banking institutions, as well as towards the resolution of the problem of NPLs for which the new law on securitization is considered important. The significant interventions and progress made to tackle structural problems in the financial sector are recognized and appreciated. The recapitalization of the main State Bank, with the perpetual bond loan combined with a significant reduction in operating costs, responds perfectly – according to the IMF – to the urgency of strengthening the capital position and profitability of the institution. The IMF team also stresses the need for “structural reforms that would strengthen external competitiveness, improve the business environment and limit the scarring effects of the crisis, while improving growth prospects. Timely implementation of other regulations, including those related to corporate insolvency, the labor market, and limiting red tape, remains essential to promote higher growth”.

San Marino issues its first international bond

A total of 340 million bonds, known as Titano-bonds, were issued on 16.02.2021 and introduced for the first time in its history during the current pandemic; the placement represents a first step forward for the Republic of San Marino, especially given the appreciation found on the international market, which was never approached before. The government has worked on the project of issuing sovereign debt securities for a few years now, an operation that has seen an acceleration in recent months. As early as October 2020, San Marino had tried to issue its first bond, renamed the “Titano Bond”; the government, assisted by Rothschild, commissioned J.P. Morgan to coordinate the issuance of a bond, but the market did not subscribe to it due to the mismatch of conditions between supply and demand. As a result of the lack of definition, in December 2020, the Republic found itself forced to seek foreign aid for the first time in its very long history, obtaining € 150 million with a 12-month bridge loan from a financial company based in Delaware. The government then announced that, following the signing of the contracts for the €150 million bridge loan with the American company Cargill Financial Services International Inc, which took place on 23 December 2020, the financing transaction was completed in accordance with the terms and conditions contractually stipulated. There was no shortage of investor appetite in February 2021, so much so that from the 300 million forecast at the beginning of the year at a rate of 3.75%, it was increased in just a few hours to 340 million due to the numerous offers collected, around 180 different institutional investors, with a final rate of 3.25%. “This is a historic moment for the Republic of San Marino: the competent Secretariats had worked on this operation for months and it required a significant technical commitment; the country, in fact, had no previous history in the issuance of international public debt and therefore a great deal of effort was put into it for months to build a proper market approach strategy. The placement of the bond should represent the first step towards financial stability. It is a 3-year maturity, with a repayment date set for 24 February 2024 and a coupon of 3.25%. The bond was issued at par. The rating agency Fitch assigned the above issue a BB+ rating, in line with San Marino’s Long Term Foreign Currency Issuer Default rating (IDR), assigned on 09.10.2020⁶”. Decree No. 23 of 19.02.2021, which contains the regulations for the issuance of public debt securities of the Republic of San Marino, has been ratified by the Great and General Council. In article 11 on the modalities of use of the 340 million reads: “€ 190 million for development projects and for the repayment of the loan signed with Cargill Financial Services International Inc. € 93.9 million for the early repayment of zero-coupon

⁶ Fixing 19/02/2021.

government bonds (including the related accrued interest) held by the State Bank of San Marino, which will apply these proceeds to the reorganization of its liabilities; €55 million for the repayment of the debt to the Central Bank of the Republic of San Marino (hereinafter also CBSM), in order to increase the liquidity of the San Marino banking system and strengthen the Central Bank's capacity as lender of last resort".

Fitch confirms the "BB +" rating for San Marino with a negative outlook

San Marino's "BB+" rating⁷ is supported by high levels of wealth with GDP per capita closer to the "AAA" average than the "BB" median. The rating also profits from a resilient export sector and a large net position with external creditors, as well as a stable political system. The rating is weighed down by a high debt load and a large and poorly capitalized banking sector. The very small size of the economy and limited administrative capacity as well as data quality problems and low growth potential are also major down sides. The Negative Outlook reflects uncertainty regarding the effectiveness of the government's strategy to sustainably reduce financial sector vulnerabilities, particularly the exceptionally high level of non-performing loans (NPLs). The banking sector has so far demonstrated resilience during the pandemic and capital and liquidity ratios improved overall. However, in our view, the sector's capitalization remains low in the context of a high NPL ratio. Although the banking sector's contingent liabilities materialized on the government's balance sheet, risks remain that further deterioration in asset quality could increase the sector's recapitalization needs. Fiscal consolidation remains a key challenge for the government as policy efforts to reform the tax and pension systems are delayed due to the pandemic. San Marino's gross public debt jumped to 80.8% of GDP at the end of 2020 (from 32.3% in 2019 and above the "BB" median of 59.3% in 2020). The sharp increase mainly reflects the conversion of € 455 million of assets related to past write-downs of the state-owned bank Cassa di Risparmio (CRSM) into perpetual coupon government bonds. The conversion of losses, which took place at the end of 2020, led to the immediate fronting of government liabilities. Fitch expects the San Marino economy to rebound by 4.5% in 2021, after an estimated 8.8% contraction in the prior year, based on improvements in the retail and tourism sectors and a strong rebound in export-oriented manufacturing.

⁷ Source: April 2021 report by Fitch on San Marino.

The regulatory framework evolution and compliance activity

San Marino legislation and regulations and compliance activities

The primary legislation issued by the legislator during the year in question primarily regards provisions regarding the Covid-19 health emergency and the consequent economic interventions. In addition, the following regulatory provisions and anti-money laundering legislation amending Law 92/2008 were issued.

Banking and financial regulations

With regard to banking and finance, the evolution of the regulatory framework of the Republic of San Marino continued with the transposition of other community directives (the community acquis on financial matters) as established in the Monetary Agreement signed between the Republic of San Marino and the European Union on 27/03/2012 and last updated with Council Decree no. 136 of 5 December 2017.

The Regulations issued by the Central Bank of the Republic of San Marino in the year 2020 are cited below:

Regulation n.2020-01

“Miscellany on interventions designed to review current supervisory provisions”, which came into force on 19.03.2020 amending CBSM Regulations 2007/07, 2006/03, 2007/02, 2008/01, 2011/03, 2007/01, 2016/02, 2013 /04, implements the so-called “fit and proper” standard for bank officers and corporate bodies, in continuity with the guidelines already anticipated in Annex 7 of Regulation 2019/01, and updates the aforementioned Regulations to the provisions that do not require implementation rules (so-called self-executing), contained in the Delegated Decrees implementing the EU Directives.

Regulation n.2020-02

“Regulation amending Regulation 2010/01 for the professional exercise of the Office of Trustee in the Republic of San Marino”, which came into force on 5 June 2020, the amendments of which concern the discipline of accreditation to the training courses of the Trustee Office Managers (so-called R.U.T.), the creation of a separate section in the Register of Professional Trustees called “Resident Agent Training” and the elimination of the obligation to bind in favor of CBSM in the compulsory insurance policy for professional trustees.

Regulation n.2020-03

“Regolamento sui consulenti finanziari indipendenti”, entrato in vigore il 03/08/2020, che attua le disposizioni previste all’articolo 25-bis, comma 6, della LISF (n.165/2005 Legge sulle Imprese e sui Servizi Bancari, Finanziari e Assicurativi).

Regulation n.2020-04

“Regulation of payment services and issuance of electronic money (Payment Institutions and EMIs)”, the Regulation, which came into force on 04.01.2021, is part of the process of adapting domestic financial regulations in order to comply with the obligations arising from the Monetary Convention signed with the European Union on 27 March 2012 and fully implements Delegated Decree no. 77 of 28 December 2018 in transposition of the so-called “PSD2”, i.e. EU Directive 2015/2366 which replaced (repealing it) the previous Payment Services Directive no. 2007 /64/EC.

Regulation n.2020-05

“Regulation amending Regulation 2007-01 on reporting procedures pursuant to art.68 LISF”, which came into force on 04/01/2021, updates Regulation 2007-01, distinguishing reports pursuant to article 68, paragraph 1, of the LISF (so-called “exposed reports”) from reports pursuant to article 68, paragraph 1-bis (so-called whistleblowing reports).

The following provisions are also mentioned:

Law 196 of 9 November 2020

“Second Amendment to the State Budget and of the Entities of the Enlarged Public Sector for the 2020 Financial Year, amendments to Law 157 of 19 November 2019 and subsequent amendments”, the amendments concerning the banking sector are inherent to LISF Law 165/2005 (among which the introduction of art. 73 bis – Capital separation of relevant deposits, amendment to article 104 – Relations with the supervisory authority, article 140 – Obstacle to the exercise of supervisory function).

Law no. 223 of 23 December 2020

“State and Public Entities Budget for the 2021 financial year and 2021/2023 multi-year budgets”, containing programmatic norms regarding interventions to strengthen the financial system, revision of the IGR tax and reorganization of incentives and extraordinary measures to contain and manage the Covid-19 pandemic.

Anti-money laundering provisions and regulations

As regards anti-money laundering, the primary legislation and regulations issued by the legislator in 2020 are set out below.

Delegated Decree no. 21 of 7 February 2020

“Adaptation of national legislation to international conventions and standards on preventing and combating money laundering and terrorist financing”.

Delegated Decree no. 33 of 27 February (Ratification of Delegated Decree no. 21 of 7 February 2020)

“Adaptation of national legislation to international conventions and standards on preventing and combating money laundering and terrorist financing”. The Decree partially implements the so-called V AML Directive 2018/843/EU, ratifies Delegated Decree no. 21 of 03.02.2020 which came into force on the same date. Both measures amend Law 92/2008, partially implementing the innovations introduced by the aforementioned AML Directive 2018/843/EU in our legal system. The new provisions relate to the extension of the obligations of preservation and registration, in addition to transactions and business relationships, correspondence with customers and the results of any analysis carried out, beneficial ownership, insurance contracts, non-financial entities and national cooperation accentuating the safeguards to promote the prevention and contrast of money laundering and terrorist financing.

FIA Newsletter 2020/01–02

“Special Covid-19 Threats, Vulnerabilities, and Resulting AML/CFT Risks Related to the COVID-19 Emergency”, containing useful information to alert designated entities to possible AML/CFT risks, resulting from the state of global health emergency and related illicit activities.

FIA Instruction 2020/08

“Provisions regarding information data accompanying transfers of funds”. This Instruction regulates the minimum mandatory information data for the execution of transfers of funds, both in the domestic area and in the SEPA and Extra-SEPA area. The measure replaces the FIA Instruction 2017/01 implementing the Regulation 2015/847/EU in our legal system, even if not expressly repealed (see FIA Prot. 180975). The amendment is due to the solicitations of Moneyval since the Republic of San Marino, although in the SEPA Area, is not a Member State, therefore the transfers of funds that are carried out from or to San Marino must be accompanied by the minimum information set provided for Non-European Countries.

FIA Guidelines 2020/02

“Countering the proliferation programs of weapons of mass destruction and their financing”, issued on 2.06.2020, implement art. 337 quater of the criminal code on the crime of “Proliferation of weapons of mass destruction” and article 337 quinquies of the criminal code on the “Crime of financing the proliferation of weapons of mass destruction”. The guidelines apply to all the companies of the BAC Group and are not prescriptive in nature, but represent an operational aid for the adoption of internal regulations, processes and procedures, in the training of personnel and in the management and mitigation of risk, having regard to legal obligations according to an approach based on actual exposure to risk.

FIA Newsletter 2020/03

“News related to the fight against money laundering and terrorist financing published on the main national and international websites”, published on 14.07.2020, aims to provide useful information for the prevention and fight against money laundering and terrorist financing as well as to identify suspicious transactions.

Council Decree no. 146 of 2 September 2020

“Ratification of the Council of Europe Convention for the Prevention of Terrorism and its Additional Protocol”, which came into force on the same date, ratifies the Council of Europe Convention for the Prevention of Terrorism adopted in Warsaw on 16.05.2005 and its Protocol.

Decree Law No. 148 of 10 September 2020

“Provisions on the fight against terrorism – Amendments to the Criminal Code”, which entered into force on the same date in order to follow up on the legal obligations to which the Republic of San Marino is subject in the field of terrorism to implement UN Resolution 2178 (2014), as an integral part of the FATF methodology. The decree introduces new offenses in the Criminal Code regarding the financing of terrorism, terrorist organizations and individual terrorists.

Decree Law No. 153 of 17 September 2020

“Adaptation of national legislation to international conventions and standards on personal data processing and on preventing and combating money laundering and terrorist financing”. The purpose of this measure is to align the domestic legislation of the Republic of San Marino with the precepts dictated by international bodies, such as Moneyval and to prepare effective procedures, implementing the legal obligations to which the Republic of San Marino is subject under international law in the field of anti-money laundering and terrorist financing.

Congress of State Resolution no. 21 of 21 September 2020

“Update of the list of high-risk countries pursuant to art. 16 undecies of Law no. 92 of 17 June 2008 and subsequent amendments”.

The resolution updates the list of “High-Risk Countries”, i.e., countries with strategic deficiencies in preventing and combating money laundering and terrorist financing and posing significant threats to international peace and security.

Decree Law no. 154 of 22 September 2020 (Ratification of Decree Law no. 148 of 10 September 2020)

“Provisions on the fight against terrorism – Amendments to the Criminal Code”.

Regulation no. 7 of 25 September 2020

“Regulations pursuant to article 2, paragraph 2, of Law no. 57 of 29 March 2019 – Measures to prevent, counter and repress the financing of terrorism, the proliferation of weapons of mass destruction and the activities of countries that threaten international peace and security”.

FIA Circular 2020/03

“Procedure for reporting violations under Article 31 paragraph 2 of Law 92/2008”, published on 12.11.2020 which came into force on 04.01.2021, establishes new procedures for reporting violations under Article 31 paragraph 2 of Law 92/2008.

FIA Newsletter 2020/04

“News relating to the fight against money laundering and terrorist financing published on the main national and international websites”, published on 18.11.2020 reporting the latest publications relating to money laundering and terrorist financing phenomena. The first half of 2020 was characterized by the Covid-19 pandemic, which had an impact on the activities of preventing and combating money laundering and terrorism.

Decree Law no. 210 of 4 December 2020 (Ratification of Decree Law no. 153 of 17 September 2020)

“Adaptation of national legislation to international conventions and standards on personal data processing and on preventing and combating money laundering and terrorist financing”.

Main legislative measures in the San Marino legal system

Standards / Regulations	Title
Delegated Decree no. 8 of 30 January 2020 (Ratification of Delegated Decree no. 109 of 28 June 2019)	Provisions on extraordinary property tax
Delegated Decree no. 9 of 30 January 2020 (Ratification of Delegated Decree no. 113 of 2 July 2019)	Amendments to Decree no. 156 of 8 November 2005 and provisions regarding the use of electronic certified delivery services and certified electronic mail
Decree Law no. 14 of 30 January 2020 (Ratification of Decree Law no. 135 of 5 September 2019)	Extension of the deadline for submitting the application for a building permit in extraordinary amnesty and adjustment of related deadlines
Decree Law no. 20 of 3 February 2020	Urgent interventions pertaining to the legitimate operation of the joint-stock company with mixed public/private participation "Agency for Economic Development-Chamber of Commerce"
Delegated Decree no. 21 of 7 February 2020	Adaptation of national legislation to international conventions and standards on preventing and combating money laundering and terrorist financing
Delegated Decree no. 22 of 7 February 2020	Amendments to Article 32 of Delegated Decree no. 72 of 25 June 2018 Provisions on subsidized loans to support businesses
Delegated Decree no. 27 of 20 February 2020	Determination of the maximum annual remuneration as per article 32 paragraph 6 Law no. 15 of 11 February 1983 and subsequent amendments
Delegated Decree no. 28 of 20 February 2020	Change in the cost of living and related coefficients referred to in Article 32, paragraph 9 of Law no. 15 of 11 February 1983 and subsequent amendments
Delegated Decree no. 33 of 27 February (Ratification of Delegated Decree no. 21 of 7 February 2020)	Adaptation of national legislation to international conventions and standards on preventing and combating money laundering and terrorist financing
Decree Law no. 34 of 27 February 2020	Extension of the deadline referred to in Article 24 paragraph 1 Law 157/2019
Council Decree no. 36 of 2 March 2020	Ratification of the Multilateral Convention for the implementation of BEPS measures
Council Decree no. 37 of 2 March 2020	Ratification of amendments to the Monetary Agreement between the European Union and San Marino
Decree Law no. 44 of 8 March 2020	Urgent containment measures against Covid-19 (Coronavirus)
Delegated Decree no. 45 of 10 March 2020	Transitional provisions for the presentation of financial statements of economic operators
Decree Law no. 46 of 11 March 2020	Extraordinary and temporary suspension of the terms referred to in articles 9,10,12 of Law 118/2010 and subsequent amendments

Decree Law no. 51 of 14 March 2020	Urgent measures for the containment and management of the emergency situation caused by Covid-19 (Coronavirus)
Committee Resolution no. 10 of 17 March 2010	Extraordinary measures to extend legal deadlines, tax deadlines and payment of taxes and duties
CBSM Regulation 2020-01	Miscellany of targeted revisions to existing supervisory provisions
Decree Law no. 52 of 20 March 2020	Urgent measures for the containment and management of the emergency situation caused by Covid-19 (Coronavirus)
Decree Law no. 55 of 29 March 2020	Additional measures related to the Covid-19 (Coronavirus) emergency. Support measures for families, businesses, self-employed workers, freelancers and agricultural operators regarding mortgages and financing
Corrigendum Decree Law no.55 of 29 March 2020	Additional measures related to the Covid-19 (Coronavirus) emergency. Support measures for families, businesses, self-employed workers, freelancers and agricultural operators regarding mortgages and financing
Decree Law no. 56 of 29 March 2020	Rules for the use of teleconferencing/ videoconferencing in shareholders' meetings of legal persons
Decree Law no. 59 of 4 April 2020	Extension of Decree-Law no. 52 of 20 March 2020 Urgent measures for the containment and management of the Covid-19 emergency (Coronavirus)
Decree Law no. 61 of 10 April 2020	Amendments to Decree Law 52/2020 Urgent measures to contain and manage the Covid-19 (Coronavirus) emergency)
Decree Law no. 62 of 17 April 2020	Urgent measures for the containment and management of the emergency situation caused by Covid-19 (Coronavirus)
Decree Law no. 63 of 21 April 2020	Interventions in the economic sphere and for the support of families, businesses, self-employed workers, freelancers to deal with the Covid-19 emergency
Decree Law no. 65 of 24 April 2020	Extraordinary and temporary extension of the terms referred to in articles 9,10,12 of Law 118/2010 and subsequent amendments
Decree Law no. 66 of 30 April 2020 (Ratification of Decree Law no. 62 of 17 April 2020)	Urgent measures for the containment and management of the emergency situation caused by Covid-19 (Coronavirus)
Decree Law no. 67 of 3 May 2020	Labor and pension interventions to support the Covid-19 economic emergency
Decree Law no. 68 of 3 May 2020	Provisions for a gradual relaxation of restrictive measures resulting from the Covid-19 health emergency
Regulation no. 3 of 11 May 2020	Implementing provisions of Decree Law no. 63 of 21 April 2020
Decree Law no. 78 of 15 May 2020	Updated provisions for the relaxation of restrictive measures related to the Covid-19 emergency

Corrigendum Decree Law no. 78 of 15 May 2020	Updated provisions for the relaxation of restrictive measures related to the Covid-19 emergency
Decree Law no. 79 of 18 May 2020	Provisions in the area of movement, mobility, and travel resulting from the Covid-19 health emergency
Decree Law no. 91 of 26 May 2020 (Ratification of Decree Law no. 63 of 21 April 2020)	Interventions in the economic sphere and for the support of families, businesses, self-employed workers, freelancers to deal with the Covid-19 emergency
Decree Law no. 92 of 27 May 2020 (Ratification of Decree Law no. 67 of 3 May 2020)	Labor and pension interventions to support the Covid-19 economic emergency
Decree Law no. 93 of 27 May 2020 (Ratification of Decree Law no. 68 of 3 May 2020)	Provisions for a gradual relaxation of restrictive measures resulting from the Covid-19 health emergency
Decree Law no. 96 of May 31, 2020	Additional provisions for a gradual relaxation of restrictive measures resulting from the Covid-19 health emergency
Decree Law no. 97 of 2 June 2020 (Ratification of Decree Law no. 78 of 15 May 2020)	Updated provisions for the relaxation of restrictive measures related to the Covid-19 emergency
Decree Law no. 98 of 2 June 2020 (Ratification of Decree Law no. 79 of 15 May 2020)	Provisions in the area of movement, mobility, and travel resulting from the Covid-19 health emergency
CBSM Regulation 2020-02	Regulation amending Regulation 2010-01 for the professional practice of the office of Trustee in the Republic of San Marino
Delegated Decree no. 107 of 30 June 2020	New Mission Banca Nazionale Sammarinese S.p.A.
Decree Law no. 108 of 30 June 2020	Final provisions relating to the Covid-19 emergency
Regulation no. 5 of 1 July 2020	Amendments to Regulation no. 3 of 11 May 2020 "Provisions implementing Decree Law no. 63 of 21 April 2020 Interventions in the economic sphere and for the support of families, businesses, self-employed workers and freelancers to deal with the Covid-19 emergency"
Decree Law no. 109 of 1 July 2020	Extraordinary support measures for Post Covid-19 economic operators
Law no. 113 of 7 July 2020	Change to the State Budget and Extended Public Sector Entities for the 2020 Financial Year and Amendments to Law no. 157 of 19 November 2019
Decree Law no. 114 of 8 July 2020	Workplace interventions to support the Covid-19 economic emergency
Decree Law no. 122 of 24 July 2020 (Ratification of Decree Law no. 108 of 30 June 2020)	Final Provisions Regarding the Covid-19 Emergency
Decree Law no. 123 of 27 July 2020 (Ratification of Decree Law no. 114 of 8 July 2020)	Labor and pension interventions to support the Covid-19 economic emergency

Delegated Decree no. 126 of 27 July 2020 (Ratification of Delegated Decree no. 107 of 30 June 2020)	New Mission Banca Nazionale Sammarinese S.p.a.
FIA Newsletter 2020/03	News related to combating money laundering and terrorist financing published on major national and international websites
CBSM Regulation 2020-03	Regulation of independent financial advisors
Delegated Decree no. 133 of 7 August 2020	Amendment of procedures and methods of submitting extraordinary amnesty building permit applications
Decree Law no. 134 of 11 August 2020	Provisions on entry into the Republic of San Marino regarding Covid-related health measures
Delegated Decree no. 137 of 13 August 2020	Update rent for real estate used for professional, business and social activities
Delegated Decree no. 138 of 13 August 2020	Update rent for residential real estate
Delegated Decree no. 142 of 21 August 2020	Declaration of assets and financial assets held abroad and company shares wherever held
Decree Law no. 145 of 31 August 2020 (Ratification of Decree Law no. 134 of 11 August 2020)	Provisions on entry into the Republic of San Marino regarding Covid-related health measures
Council Decree no. 146 of 2 September 2020	Ratification of the Council of Europe Convention for the Prevention of Terrorism and its Additional Protocol
Decree Law no. 147 of 2 September 2020	Preventive provisions to counter the spread of the Covid-19 outbreak
Decree Law no. 148 of 10 September 2020	Provisions on the fight against terrorism – Amendments to the Criminal Code
Decree Law no. 153 of 17 September 2020	Adaptation of national legislation to international conventions and standards on personal data processing and on preventing and combating money laundering and terrorist financing
Resolution of the Congress of State no. 21 of 21 September 2020	Update of the list of high-risk countries pursuant to art. 16 undecies of Law no. 92 of 17 June 2008 and subsequent amendments
Decree Law no. 154 of 22 September 2020 (Ratification of Decree Law no. 148 of 10 September 2020)	Provisions on the fight against terrorism – Amendments to the Criminal Code
Decree Law no. 156 of 22 September 2020 (Ratification of Decree Law no. 147 of 2 September 2020)	Preventive provisions to counter the spread of the Covid-19 outbreak
Regulation no. 7 of 25 September 2020	Regulations referred to in Article 2, paragraph 2, of Law no. 57 of 29 March 2019 – Measures to Prevent, Combat and Suppress the Financing of Terrorism, Proliferation of Weapons of Mass Destruction and the Activities of Countries that Threaten International Peace and Security

Decree Law no. 164 of 29 September 2020	Update of banknote regulations in transposition of B.C.E. Decision (EU) 2019/669
Decree Law no. 187 of 12 October 2020	Provisions to counter the spread of the Covid-19 outbreak
Decree Law no. 193 of 29 October 2020	Provisions to counter the spread of the Covid-19 outbreak
Law no. 196 of 9 November 2020	Second Change to the State Budget and Broader Public Sector Entities for the 2020 Financial Year, amendments to Laws no. 157 of 19 November 2019, as amended
Delegated Decree no. 199 of 13 November 2020 (Ratification of Delegated Decree no. 142 of 21 August 2020)	Declaration of assets and financial assets held abroad and company shares wherever held
FIA Circular 2020/03	Procedure for reporting violations pursuant to article 31, paragraph 2 of Law 92/2008
Delegated Decree no. 203 of 18 November 2020	Ordinary residence for frontier workers
FIA Newsletter 2020/04	News related to combating money laundering and terrorist financing published on major national and international websites
Decree Law no. 205 of 24 November 2020	Additional measures to support the economic emergency caused by Covid-19
Decree Law no. 206 of 26 November 2020	Additional provisions to counter the spread of the Covid-19 outbreak
Decree Law no. 210 of 4 December 2020 (Ratification of Decree Law no. 153 of 17 September 2020)	Adaptation of national legislation to international conventions and standards on personal data processing and on preventing and combating money laundering and terrorist financing
Decree Law no. 212 of 7 December 2020	Provisions regarding financing operations aimed at the acquisition of financial resources by the State through international financing
Decree Law no. 219 of 17 December 2020	Strengthening measures to counter the spread of the Covid-19 outbreak
Law no. 223 of 23 December 2020	State and Public Entity Budgets for the 2021 Financial Year and 2021/2023 Multi-Year Budgets
CBSM Regulation 2020-04	Regulation of payment services and issuing of electronic money (Payment Institutions and EMIs)
CBSM Regulation 2020-05	Regulation amending Regulation 2007/01 on reporting procedures pursuant to Article 68 LISF

Foreign branches

The Bank has no branches outside the San Marino territory.

Introduction

Dear Shareholders,

before moving on to the description of the 2020 accounts, we would like to recall how particularly complex and difficult the year was for the entire San Marino banking system. The pandemic significantly influenced banking operations which saw San Marino banks in the front line in providing initial financial support to the country's economic sectors. The Bank, on the basis of Decree Law no. 55 of 29 March 2020 and Decree Law no. 63 of 21 April 2020, contributed to ensuring the necessary economic support to San Marino individuals and businesses that are facing financial liquidity problems due to the international health emergency, by implementing moratoria and extraordinary liquidity financing.

BAC continued to provide an adequate level of services to customers, even in the presence of a reduced number of its employees, in order to limit the spread of infection, resorting to smart working. It also implemented all the appropriate measures to protect the health of workers through the periodic sanitization of workplaces and the reorganization of business processes in order to reduce the presence of workers within the company to below 50%, as provided for by the extraordinary legislation (Decree Law 52/2020), favoring the use of holidays/permissions and the use of the extraordinary redundancy fund on a voluntary basis.

BAC, which has actively participated in the resolution procedure of Banca Cis – Credito Industriale Sammarinese S.p.A. in A.S. since 2019, provided for by Law no. 102/2019 "Bank Crisis Resolution Tools to protect the stability of the financial system", with the signing of the Transfer Agreement of the 2nd Closing Part on 14/02/2020 and with Private Deed on 31/03/2020, finalized and concluded the transfer of the remaining loan relationships provided for in the General Block Transfer Agreement of 11/09/2019. This general agreement provided for an initial closing, finalized on 16/09/2019, whereby the Protected Accounts (i.e. amounts due to customers represented by deposits not exceeding € 0.100 million) were taken over for a total of € 25.452 million, against the acquisition of 122 shares of an NPL Fund called "Fondo Odisseo" for a total of € 12.209 million; and a second closing relating to the sale of Employment relationships, completed on 13/12/2019, limited to mortgage relationships, leasing and current accounts for a total of € 10.434 million.

The Bank, with resolutions of the Board of Directors of 29/04/2020 and 29/05/2020, on the basis of the provisions of the Supervisory Authority in support of the financial stability of the system (Prot.20/3582 of 06/04/2020), transferred nine securities from the free portfolio to the investment portfolio for a nominal value of € 20.500 million, recording a capital gain of € 0.244 million in the first half of 2020. Moreover, with prot. 20/13417 of 22/12/2020 the same Supervisory Authority allowed the transfer of the financial instruments from the investment portfolio to the free portfolio or their sale on the market, following the persistent uncertainties regarding the performance of the financial markets, again attributable to the pandemic.

Therefore, on 29/12/2020 BAC transferred € 39.782 million of the nominal value of investment securities, in accordance with a resolution of the Board of Directors. The transfer transactions generated a capital gain of € 2.839 million, which will be allocated to the capital reserve for future capital increases, as indicated in the aforementioned Prot. 20/13417 of CBSM. If the net income for the year is less than the amount of these capital gains, as in the year in question, the allocation of the residual part to the reserve will take place in future years, up to the amount of the capital gains.

As regards the Asset Quality Review (AQR) exercise as of 30/06/2017, the definition of the related Adjustments with the Supervisory Authority was concluded in the 2019 financial year, which amounted to € 53.5 million according to San Marino criteria.

In the financial statements for the year ended as of 31/12/2019, in order to complete the write-downs made in previous years, the Bank has therefore accounted for further adjustments to receivables for € 42.585 million.

BAC also proceeded to accrue the total provision to the Profit and Loss Account over 10 years starting from the 2019 financial year with a portion equal to € 4.581 million, as provided for by the 2018 Finance Law no.173, article 40, and on the basis of instance authorized by CBSM.

It is also specified that on the 2019 financial statements, the additional AQR write-downs were combined analytically on the non-performing portfolio and lump-sum on the non-performing portfolio for € 24.727 million, to which the generic write-downs fed for € 17.858 million to the Provision for Loan Losses (liability item 80) were added, since at the end of 2019 they were not yet identified. This provision was fully used for € 17.858 million in 2020, attributing it analytically to non-performing and substandard loans.

As regards the Bank's shareholding structure, on 22 May 2020 the transaction for the purchase by Euro Holding S.p.A., from the shareholder Demas S.A., of 83,097 BAC shares, representing 10.3473% of the share capital, authorized by Central Bank order on 14 April 2020, prot. no. 20/3709, was finalized. The execution of the deed of sale of 83,097 shares of BAC resulted in the reduction of the stake held by Demas S.A. below the relevant threshold of 66% of the capital of BAC and, specifically, from 75.07% to 64.72%.

The entry into the bank's shareholding of the holding company of the Valpharma Group, one of San Marino's largest industrial groups, clearly demonstrates the confidence enjoyed by the Banking Group.

Concerning corporate officers, the General Meeting held on 30 July 2020 renewed the Board of Statutory Auditors, which had reached its natural expiry date, by reconfirming two members and electing a new member with professional and academic skills. The Shareholders' Meeting also appointed a new Director, since it was deemed appropriate to integrate the competences within the administrative body, also in the light of the new supervisory regulations recently introduced by the Central Bank.

The renewal of the management last year was followed by the appointment of the General Manager, Ms. Micaela Licia Menicucci, former Deputy General Manager, who took office on 14/09/2020.

Finally, a description of the companies falling within the BAC Group's perimeter, in which the Parent Company holds a 100% interest, is provided:

- the subsidiary BAC Investments SG Spa, incorporated in 2018, a Management Company authorized to exclusively carry out the activity of promotion and management of mutual funds, which represents a unique reality in the sector of asset management under San Marino law and which elevates it to Asset Manager on a par with other investment houses present within the European panorama. BAC Investments SG manages seven open-ended mutual funds intended for the general public and subject to UCITS⁸ (regulations (previously authorised by CBSM), of which two (Absolute Return and Strategic Income) will be newly established during the first quarter of 2020. It should also be noted that for three funds (Prudent, Cautious and Absolute Return) institutional sub-funds were also opened in 2020.
- The Subsidiary BAC Trustee Spa, resulting from the amendment to the articles of association of the previous BAC Fiduciaria Spa (which took place with the shareholders' resolution of 27 July 2020), whose mandates were transferred to the Parent Company BAC. The establishment of BAC Trustee Spa, which is responsible only for the activity of Professional Financial Trustee, entails positive savings in operating costs and accounting and information obligations, while preserving the quality of the services offered and guaranteeing the best possible assistance to clients, with separation of the activity of Professional Trustee from the other activities carried out by the Parent Company BAC.
- The main Insurance Company under San Marino law, BAC Life Spa, acquired for its entire share capital during 2012 and for which BAC also acts as intermediary since 2009, the year in which the Company was established.
- BAC Real Estate srl (formerly IBS Immobiliare srl), set up in 2011 by IBS Spa for the management of assets, mainly real estate.

⁸ The acronym UCITS (Undertakings for Collective Investment in Transferable Securities) refers to Directive No. 65/EC of 13/01/2019 of the European Union, which sets the terms for the placement of funds domiciled in one of these.

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

DESCRIPTION	31/12/2020	31/12/2019	CHANGE	
			Absolute	%
Interest margin	11.115.491	10.857.511	257.980	2,38%
Net commission	4.736.926	4.651.185	85.741	1,84%
Profits and losses on financial transactions	1.634.377	1.265.379	368.998	29,16%
Other revenues	1.086.952	1.218.377	-131.424	-10,79%
Revenues from intermediation	7.458.255	7.134.941	323.315	4,53%
Intermediation margin	18.573.747	17.992.452	581.295	3,23%
Personnel expenses	-8.262.597	-8.494.845	232.248	-2,73%
Administrative expenses	-4.879.414	-4.862.907	-16.507	0,34%
Tangible and intangible asset adjustments	-1.312.449	-1.404.561	92.112	-6,56%
Operating costs	-14.454.460	-14.762.313	307.853	-2,09%
Operating result	4.119.287	3.230.139	889.148	27,53%
Provisions and net adjustments on credits and financial assets	-5.925.687	-5.169.530	-756.157	14,63%
Write-backs on loans and fixed financial assets	-1.555.999	-	-1.555.999	100,00%
Margin on investment securities/extraordinary income	3.520.665	282.711	3.237.953	1145,32%
Tax on income	-	-	-	-
Result for the year	158.266	-1.656.680	1.814.945	109,55%

It should be noted that brokerage income, which, on the basis of the reporting formats required by the Supervisory Authority, see Reg. CBSM 2016/02, include principal and interest on leasing instalments paid by customers, are shown net of the relative component to the amortization of these leases, recorded under value adjustments on tangible fixed assets.

Balance sheet data

DESCRIPTION	31/12/2020	31/12/2019	CHANGE	
			Absolute	%
Total assets	863.532.849	857.148.933	6.383.916	0,74%
Loans to customers	373.710.435	428.541.337	-54.830.902	-12,79%
of which impaired loans	82.191.073	91.719.352	-9.528.279	-10,39%
Financial assets	110.666.496	65.758.910	44.907.586	68,29%
Amounts due to customers and outstanding securities	680.623.575	653.118.124	27.505.451	4,21%
of which amounts due	473.389.996	417.893.549	55.496.447	13,28%
of which outstanding securities	207.233.579	235.224.575	-27.990.996	-11,90%
Interbank net position (including securities)	133.467.764	105.886.173	27.581.590	26,05%
Net equity (including net result)	88.316.692	84.932.870	3.383.822	3,98%

Financial assets of customers

DESCRIPTION	31/12/2020	31/12/2019	CHANGE		COMPOSITION	
			Absolute	%	31/12/2020	31/12/2019
A) Direct deposits	683.953.698	658.177.704	25.775.994	3,92%	100%	100%
Savings deposits	2.743.614	3.122.094	-378.480	-12,12%	0,40%	0,47%
Customer current accounts in euros and foreign currency	433.069.296	398.985.858	34.083.439	8,54%	63,32%	60,62%
Repurchase agreements	27.441.068	15.785.597	11.655.471	73,84%	4,01%	2,40%
Other funds	10.136.017	-	10.136.017	100,00%	1,48%	-
Certificates of deposit	207.233.579	235.224.575	-27.990.996	-11,90%	30,30%	35,74%
Internal checks	929.136	1.054.415	-125.279	-11,88%	0,14%	0,16%
Subordinated liabilities	2.400.988	4.005.165	-1.604.178	-40,05%	0,35%	0,61%
B) Assets under management (market value)	10.480.116	12.509.484	-2.029.368	-16,22%		
of which cash and cash equivalents	5.014.170	4.781.471	232.699	4,87%		
of which subordinated loans	-	240.000	-240.000	-100,00%		
C) Assets under administration (market value)	536.956.496	523.913.192	13.043.304	2,49%		
of which BaInvestments SG funds	116.112.309	105.160.130	10.952.179	10,41%		
of which subordinated loan	2.395.000,00	3.760.000,00	-1.365.000	-36,30%		
D) Custodian Bank activities	116.112.309	105.160.130	10.952.179	10,41%		
of which cash and cash equivalents	7.165.957	8.147.742	-981.785	-12,05%		
of which Subordinated Loan	-	-	-	-		
Total deposits	1.332.927.492	1.282.831.297	50.096.195	3,91%		

MAIN INDICATORS

	31/12/2020	31/12/2019
Structure data		
Number of employees e.o.p.	115	121
Number of branches	8	10
Credit risk ratios		
Net non-performing loans / Net loans to customers	11,13%	11,26%
Net doubtful loans / Net loans to customers	21,99%	21,40%
Coverage on total loans	18,07%	13,63%
Supervisory capital and ratios		
Supervisory capital	31.330.660	32.415.394
Weighted risk assets	310.035.766	368.027.834
Supervisory capital / Weighted assets (total capital ratio)	10,11%	8,81%
Total assets	863.532.849	857.148.933

PROFITABILITY INDICATORS

	31/12/2020	31/12/2019
Financial margin / Intermediation margin	59,85%	60,34%
Service margin / Intermediation margin	40,15%	39,66%
Cost / Income ratio	77,82%	82,05%
Operating profit / Intermediation margin	22,18%	17,95%
Leverage (medium assets / medium equity)	9,78	10,09
ROA e.o.p.	0,02%	-0,19%
ROE e.o.p.	0,18%	-1,95%

Reclassified financial statement schemes

RECLASSIFIED ASSETS	31/12/2020	31/12/2019	CHANGE		COMPOSITION	
			Absolute	%	31/12/2020	31/12/2019
Cash and cash equivalents	3.204.455	7.413.660	-4.209.205	-56,78%	0,37%	0,86%
Loans to banks	134.657.459	107.140.384	27.517.075	25,68%	15,59%	12,50%
Loans to customers	373.710.435	428.541.337	-54.830.902	-12,79%	43,28%	50,00%
Financial assets	110.666.496	65.758.910	44.907.586	68,29%	12,82%	7,67%
Shareholdings	12.437.671	12.805.281	-367.610	-2,87%	1,44%	1,49%
Tangible fixed assets	97.615.630	95.308.530	2.307.100	2,42%	11,30%	11,12%
Intangible fixed assets	1.016.484	1.096.776	-80.292	-7,32%	0,12%	0,13%
Other assets	130.224.219	139.084.055	-8.859.836	-6,37%	15,08%	16,23%
Total assets	863.532.849	857.148.933	6.383.916	0,74%	100,00%	100,00%

RECLASSIFIED LIABILITIES	31/12/2020	31/12/2019	CHANGE		COMPOSITION	
			Absolute	%	31/12/2020	31/12/2019
Amounts due to banks	1.189.695	1.254.211	-64.516	-5,14%	0,14%	0,15%
Amounts due to customers	473.389.996	417.893.549	55.496.447	13,28%	54,82%	48,75%
Payables represented by securities	207.233.579	235.224.575	-27.990.996	-11,90%	24,00%	27,44%
Provisions for risks and charges	1.455.372	1.609.302	-153.930	-9,57%	0,17%	0,19%
Non-adjusting provision for risks on credits	-	17.857.990	-17.857.990	-100,00%	-	2,08%
Other liabilities	89.546.529	94.371.271	-4.824.743	-5,11%	10,37%	11,01%
Subordinate liabilities	2.400.988	4.005.165	-1.604.178	-40,05%	0,28%	0,47%
Net equity	88.316.692	84.932.870	3.383.822	3,98%	10,23%	9,91%
• Capital and reserves	89.815.106	90.310.588	-495.482	-0,55%	10,40%	10,54%
• Retained losses	-1.656.680	-3.721.039	2.064.359	-55,48%	-0,19%	-0,43%
• Result for the year	158.266	-1.656.680	1.814.945	109,55%	0,02%	-0,19%
Total liabilities	863.532.849	857.148.933	6.383.916	0,74%	100,00%	100,00%

RECLASSIFIED PROFIT AND LOSS ACCOUNT	31/12/2020	% Intermed. margin	31/12/2019	% Intermed. margin	CHANGE	
					Absolute	%
Interest income and similar charges	12.979.245	69,88%	14.546.131	80,85%	-1.566.886	-10,77%
of which:						
a) Interest income to customers	12.067.496	64,97%	13.754.016	76,44%	-1.686.520	-12,26%
b) Interest income to banks	-4.747	-0,03%	100.272	0,56%	-105.019	-104,73%
c) Interest income on debt securities	916.497	4,93%	691.843	3,85%	224.653	32,47%
Interest expense and similar charges	-3.021.441	-16,27%	-3.688.620	-20,50%	667.179	-18,09%
of which:						
a) Interest expense to customers	-694.684	-3,74%	-927.136	-5,15%	232.452	-25,07%
b) Interest expense on payables represented by securities	-2.323.685	-12,51%	-2.761.196	-15,35%	437.512	-15,84%
c) Interest expense to banks	-3.072	-0,02%	-287	-	-2.785	969,78%
Interest margin	9.957.804	53,61%	10.857.511	60,34%	-899.707	-8,29%
Dividends and other revenues	1.157.687	6,23%	-	-	1.157.687	100,00%
Financial margin	11.115.491	59,85%	10.857.511	60,34%	257.980	2,38%
Net commissions	4.736.926	25,50%	4.651.185	25,85%	85.741	1,84%
of which:						
a) Commission income	5.917.438	31,86%	5.897.253	32,78%	20.185	0,34%
b) Commission expense	-1.180.512	-6,36%	-1.246.068	-6,93%	65.556	-5,26%
Profit and losses on financial transactions	1.634.377	8,80%	1.265.379	7,03%	368.998	29,16%
of which:						
a) On securities	1.313.022	7,07%	918.428	5,10%	394.594	42,96%
b) On exchanges	321.354	1,73%	346.951	1,93%	-25.597	-7,38%
Other net revenues *	1.086.952	5,85%	1.218.377	6,77%	-131.424	-10,79%
Service margin	7.458.255	40,15%	7.134.941	39,66%	323.315	4,53%
Intermediation margin	18.573.747	100,00%	17.992.452	100,00%	581.295	3,23%
Operating costs	-14.454.460	-77,82%	-14.762.313	-82,05%	307.853	-2,09%
of which:						
a) Personnel expenses:	-8.262.597	-44,49%	-8.494.845	-47,21%	232.248	-2,73%
b) Other administrative expenses:	-4.879.414	-26,27%	-4.862.907	-27,03%	-16.507	0,34%
c) Tangible and Intangible fixed assets adjustments *	-1.312.449	-7,07%	-1.404.561	-7,81%	92.112	-6,56%
Operating result	4.119.287	22,18%	3.230.139	17,95%	889.148	27,53%
Provisions and net adjustments on credits	-5.894.027	-31,73%	-4.901.789	-27,24%	-992.238	20,24%
Provisions for risks and charges	-31.660	-0,17%	-256.000	-1,42%	224.340	-87,63%
Value adjustments to financial fixed assets	-	-	-11.741	-0,07%	11.741	-100,00%
Value adjustments on non-instrumental fixed assets	-1.555.999	-8,38%	-	-	-1.555.999	100,00%
Income from ordinary activities	-3.362.399	-18,10%	-1.939.391	-10,78%	-1.423.008	-73,37%
Extraordinary profit (loss)	3.520.665	18,96%	282.711	1,57%	3.237.953	1145,32%
Variation of the General banking risk fund (+/-)	-	-	-	-	-	-
Tax on income	-	-	-	-	-	-
Result for the year	158.266	0,85%	-1.656.680	-9,21%	1.814.945	109,55%

* Net of the share capital accrued during the year, relating to the lease payments for the assets covered by the financial leasing agreements.

Financial year results and performance for the period

Profit and loss account

Operating result structure

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

The Profit and Loss Account for 2020 closed with an operating result of € 0.158 million, a clear improvement compared to the previous year of € 1.814 million (– € 1.656 million as of 31/12/2019).

This result was affected by substantial net value adjustments on loans (€ 5.894 million), up by €0.992 million (20.24%) compared to the previous year, as well as value adjustments on non-instrumental fixed assets for € 1.556 million, absent in the previous year.

The consolidated results of the Banking Group, of which Bac is the parent company, confirm the performance achieved by the Bank by achieving an intermediation margin of € 20.477 million in the 2020 financial year (up by +0.83% compared to 2019), an operating income of € 4.670 million, up by € 0.333 million compared to 2019 and a final result of € 0.649 million, a marked improvement compared to the previous year (+ € 1.172 million). Please refer to the following paragraphs for an analysis of the margins, i.e. the progressive results that contributed to the formation of the final result for the financial year.

Financial margin

The financial margin stood at € 11.115 million compared to € 10.857 million in 2019 (+ € 0.258 million).

The increase in the margin is primarily affected by the different method of accounting for dividends from the Group's operating companies which, as from 2019, takes place in the year in which the distribution to shareholders is approved by the competent corporate bodies (cash principle) and no longer with reference to the year in which they are formed (accrual principle), in line with international and national accounting standards (OIC 21); therefore, in 2020, the 2019 dividends distributed by BAC Life Spa for € 1.007 million and € 0.150 million by the subsidiary SSIS Spa were recorded on a cash basis, while on 2019 this item was equal to zero.

On the other hand, the financial margin was affected by the decrease in net interest recorded of – € 0.900 million, attributable on one hand to the dynamics of rates and on the other hand to the trend of volumes. As regards the first factor it was noted that Euribor continued its downward trend on the financial market, still in negative ground (–0.427% average Euribor 3M/360 year 2020) and, on the domestic market, the imposition of economic conditions below the average rates applied on the disbursement of loans as per Decree Law 63/2020 on measures to support liquidity (art. 19 referred to households, art. 20 referred to economic operators). In relation to the contraction in gross loans, this was also due to the reduced economic operations for the Covid-19, to companies that operated on an active basis

and to the prudent selection of loans to customers, with a declining stock of – € 54.830 million; the decline in net interest income was helped by the decrease in interest expense and the increase in coupons on treasury assets (partly adjusted by the decline in interest income on interbanking).

FINANCIAL MARGIN FORMATION	31/12/2020	31/12/2019	CHANGE		% Incidence on interest margin	
			Absolute	%	31/12/2020	31/12/2019
Interest income on amounts due from customers	12.067.496	13.754.016	-1.686.520	-12,26%	108,56%	126,68%
Interest payable on amounts due to customers	-483.424	-686.880	203.456	-29,62%	-4,35%	-6,33%
Interest expense on debts represented by securities (CD option)	-2.323.685	-2.761.196	437.512	-15,84%	-20,90%	-25,43%
Ordinary customer margin	9.260.386	10.305.939	-1.045.553	-10,15%	83,31%	94,92%
Interest income on debt securities	916.497	691.843	224.653	32,47%	8,25%	6,37%
Interest expense on debts represented by securities (repo)	-211.260	-240.256	28.996	-12,07%	-1,90%	-2,21%
Financial investment margin	705.237	451.587	253.650	56,17%	6,34%	4,16%
Banking margin	9.965.623	10.757.526	-791.903	-7,36%	89,66%	99,08%
Interest income from credit institutions	-4.747	100.272	-105.019	-104,73%	-0,04%	0,92%
Interest expense from credit institutions	-3.072	-287	-2.785	969,78%	-0,03%	-
Interbank margin	-7.819	99.985	-107.804	-107,82%	-0,07%	0,92%
Dividends and other income	1.157.687	-	1.157.687	100,00%	10,42%	-
Financial margin	11.115.491	10.857.511	257.980	2,38%	100,00%	100,00%

Intermediation margin

At the end of December 2020, net interest and other banking income amounted to € 18.573 million, a substantial increase of € 0.581 million (+3.23%) compared to the previous year. The tables below show that the increase in brokerage income and the collection of dividends from Group companies more than offset the negative performance of net interest income. The prudent policy of composition of the proprietary portfolio benefited from market rises, recording profits from buying and selling and from valuation transactions for a net amount of € 1.313 million, in addition to income from currency trading for € 0.321 million. As already explained in the introduction, the Supervisory Authority, in consideration of the exceptional situation created by the COVID-19 health emergency, provided for measures in 2020 to support the financial stability of the San Marino system; therefore the Bank, on the basis of prot.20 /3582 of CBSM of 06/04/2020, with a specific resolution of the Board of Directors, transferred nine securities from the free real estate portfolio to the investment portfolio for a book value of € 21.813 million, recording a capital gain of € 0.244 million, recorded in the item Profits and Losses from financial transactions – trading of securities.

On the other hand, with prot. 20/13417 of 22/12/2020, CBSM allowed the transfer of the financial instruments from the investment portfolio to the free portfolio or the sale of the securities on the market following the persistent uncertainties of the future prospects of the financial system, again attributable to the pandemic. Therefore, with Board resolution, on 29/12/2020 the transfer of investment securities for a total value of € 40.382 million was carried out, generating a capital gain of € 2.839 million which will be allocated to a capital reserve, as provided for in Prot. 20/13417. The countervalue of the valuation gain resulting from the transfer of the aforementioned securities was reclassified to extraordinary income on investment securities (item 190 of the EC), consistently with the provisions of CBSM Regulation 2016/02.

The margin on services, at the end of December 2020 amounting to € 7.458 million and increasing compared to the final balance of 2019 (+4.53%), is configured as a fully appreciable performance in view of the decrease in lending volumes and the lower operations related to the Covid-19 health emergency, which resulted in lower operations in many products and services offered by the bank and the BAC group.

PROFIT AND LOSS ACCOUNT	31/12/2020	31/12/2019	CHANGE		% Incidence on interest margin	
			Absolute	%	31/12/2020	31/12/2019
Interest margin	9.957.804	10.857.511	-899.707	-8,29%	53,61%	60,34%
Dividends and other revenues	1.157.687	-	1.157.687	100,00%	6,23%	-
Intermediation revenues and other	7.458.255	7.134.941	323.315	4,53%	40,15%	39,66%
Intermediation margin	18.573.747	17.992.452	581.295	3,23%	100,00%	100,00%

INTERMEDIATION REVENUES AND OTHER	31/12/2020	31/12/2019	CHANGE		% Incidence on interest margin	
			Absolute	%	31/12/2020	31/12/2019
Net commissions	4.736.926	4.651.185	85.741	1,84%	63,51%	65,19%
Commission income	5.917.438	5.897.253	20.185	0,34%	79,34%	82,65%
• Guarantees given	98.399	93.698	4.700	5,02%	1,32%	1,31%
• Investment services	520.519	471.436	49.083	10,41%	6,98%	6,61%
of which reception and transmission of orders	502.775	442.439	60.336	13,64%	6,74%	6,20%
of which portfolio management of financial instruments	17.744	28.998	-11.253	-38,81%	0,24%	0,41%
• Distribution of services and products of third parties other than placement	1.098.813	1.006.872	91.942	9,13%	14,73%	14,11%
of which insurance products	362.000	185.718	176.282	94,92%	4,85%	2,60%
of which other services or products	736.813	821.154	-84.340	-10,27%	9,88%	11,51%
• Cash-in and payment services	1.565.540	1.810.945	-245.404	-13,55%	20,99%	25,38%
• Depository bank services	125.057	86.132	38.926	45,19%	1,68%	1,21%
• Storage and administration of financial instruments	336.044	328.946	7.098	2,16%	4,51%	4,61%
• Currency trading	238.778	327.293	-88.515	-27,04%	3,20%	4,59%
• Trust services	153.279	-	153.279	100,00%	2,06%	-
• Other services	1.781.009	1.771.932	9.077	0,51%	23,88%	24,83%
of which current accounts	1.269.418	1.187.258	82.160	6,92%	17,02%	16,64%
of which cash-ins and payments	47.671	44.042	3.629	8,24%	0,64%	0,62%
of which fees	144.334	115.090	29.244	25,41%	1,94%	1,61%
of which loans granted	218.661	301.489	-82.829	-27,47%	2,93%	4,23%
Commission expenses	-1.180.512	-1.246.068	65.556	-5,26%	-15,83%	-17,46%
• Cash-in and payment services	-741.226	-869.394	128.168	-14,74%	-9,94%	-12,19%
• Management services, intermediation, cons.	-333.828	-302.743	-31.085	10,27%	-4,48%	-4,24%
• Currency trading	-43.882	-45.142	1.260	-2,79%	-0,59%	-0,63%
• Other services	-61.576	-28.789	-32.788	113,89%	-0,83%	-0,40%
Profits and losses on financial transactions	1.634.377	1.265.379	368.998	-29,16%	21,91%	17,73%
On securities:	1.313.022	918.428	394.594	-42,96%	17,60%	12,87%
• Security trading	593.211	1.033.365	-440.154	42,59%	7,95%	14,48%
• Security valuation	719.812	-114.937	834.749	-726,26%	9,65%	-1,61%
• Currency trading	321.354	346.951	-25.597	-7,38%	4,31%	4,86%
• Other activities	-	-	-	-	-	-
Operating income and charges	1.086.952	1.218.377	-131.424	-10,79%	14,57%	17,08%
• Other revenues	992.592	1.064.104	-71.512	-6,72%	13,31%	14,91%
• Expense recovery	94.360	154.273	-59.913	-38,84%	1,27%	2,16%
Service margin	7.458.255	7.134.941	323.315	4,53%	100,00%	100,00%

Operating result

The operating result increased by € 0.889 million (+27.53%) compared to 2019, thanks to the contribution to net interest and other banking income of profits and losses from financial transactions and the dividend from subsidiaries, as well as the containment of operating costs.

PROFIT AND LOSS ACCOUNT	31/12/2020	31/12/2019	CHANGE	
			Absolute	%
Net interest and other banking income	18.573.747	17.992.452	581.295	3,23%
Administrative expenses	-12.934.827	-13.316.948	382.121	-2,87%
• Personnel expenses	-8.262.597	-8.494.845	232.248	-2,73%
• General expenses	-4.672.230	-4.822.103	149.873	-3,11%
• Indirect taxes and duties	-207.184	-40.804	-166.380	407,75%
Value adjustments on tangible and intangible fixed assets	-1.312.449	-1.404.561	92.112	-6,56%
Total operating costs	-14.454.460	-14.762.313	307.853	-2,09%
Operating income	4.119.287	3.230.139	889.148	27,53%

Operating costs

Total operating costs at the end of December 2020 amounted to € 14.454 million, showing a saving of € 0.307 million, lower by -2.09% compared to 2019.

Personnel expenses, amounting to € 8.262 million, show a decrease of approximately € 0.232 million (-2.73%) compared to the corresponding period in 2019. The decrease is mainly due to the evolution of the workforce, which continues its reorganization, settling at 115 resources at the end of 2020, showing a decrease of 6 resources compared to the previous year, in addition to the 2 resources terminated in 2019, as a result of interruptions of employment relationships. It should be noted that the containment of this cost item was achieved despite the fact that, as of 2020, the union agreement signed with the employees and in force for the 2017-2019 period, which had allowed for the non-payment of the Adjustment Contractual Increase to employees amounting to 6.5% of the gross overall remuneration, has ceased its effects.

Other administrative expenses recorded a value of € 4.879 million, a slight increase of € 0.016 million (+0.34%) compared to the previous year. In general, many categories of administrative expenses enjoyed reductions, in particular the most significant decreases can be attributed to contribution charges for the Depositors' Guarantee Fund (-€ 0.077 million) and membership fees (-€ 0.061 million), while the item indirect taxes shows an upsurge (+ € 0.166 million), as in 2020, a dispute with the Italian Revenue Office concerning withholding taxes on foreign income, which involved the main banks in San Marino, was settled.

Other administrative expenses, net of indirect taxes and duties, recorded a further containment, in line with the savings of previous years, of € 0.150 million, equal to -3.11%.

Depreciation on instrumental tangible and intangible assets were calculated on the basis of the residual possibility of use and coinciding with the tax depreciation coefficients imposed with the tax reform pursuant to Law 166/2013, for instrumental assets, and amounted to € 1.312 million, a decrease of € 0.092 million (-6.56%) compared to the corresponding item in 2019.

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

At the end of December 2020, Net adjustments on loans and provisions for guarantees and commitments amounted to € 5.894 million, broken down as follows: € 7.959 million for provisions and adjustments on loans and € 2.065 million for write-backs, an increase of +20.24% compared to the previous year. Specifically, in 2020, following the definition of the adjustments with the Supervisory Authority in 2019 from the Asset Quality Review (AQR) exercise started in 2016, the second tenth of the accrual equal to € 4.581 million of the AQR adjustments suspended was recorded in the EC, by virtue of the provisions of art. 40 of Law 173/20218 and supplemented by the express authorization of the Supervisory Authority.

It should also be noted that there is a provision of € 0.556 million, set up in previous years to cover potential risks deriving from lawsuits and proceedings in progress, prudentially increased during the year by a further € 0.031 million.

A detailed analysis of the dynamics of the so-called "Credit Quality" is provided in the specific section of this Report.

Adjustments to non-instrumental real estate properties

Value adjustments were made on real estate properties not used for operating purposes and deriving from credit recovery for a total of -€ 1.555 million, in order to align the book value with the values of the appraisals, updated in 2020.

Conversely, no write-downs were recorded on subsidiaries: the Group companies, i.e. the Supervised Entities BAC Investments SG Spa, BAC Life Spa and BAC Trustee Spa (formerly BAC Fiduciaria Spa), approved their 2020 financial statements with positive results for the year; the resulting dividend distribution policies will take effect in 2021, in cash.

Income from ordinary activities

The Income from ordinary activities is negative by € 3.362 million, down by € 1.423 million (-73.37%) compared to 2019, on which the substantial and prudent provisions made for adjustments to receivables, non-instrumental fixed assets and for risks and charges weigh heavily.

Extraordinary revenues and charges

The Bank recorded extraordinary revenues amounting to € 3.735 million and extraordinary charges of -€ 0.215 million.

We highlight that extraordinary revenues include the following main items: € 0.506 million for the recognition of deferred tax assets following adhesion to the option to carry forward tax losses resulting from deductions of taxed

surpluses on the provision for risks on loans prior to 2019, pursuant to Law no.154/2019, art.11, paragraph 5, and € 2.839 million for profit from the transfer of securities owned by the investment portfolio to the free portfolio, as provided for by Prot.20/13417 of CBSM and detailed in the introduction of this Report.

Extraordinary charges include various fractioned items for a total of € 0.166 million, as well as € 0.047 million for extinguishment of customer relationships and closure of debt items no longer collectable.

Income tax

The tax rate is 0% and reflects the calculation of taxes in accordance with tax regulations. There is no taxable income in the 2020 financial year.

Net profit

For explanatory purposes, the following table reclassifies the steps leading from operating result to net profit for the period, compared with the 2019 data.

PROFIT AND LOSS ACCOUNT	31/12/2020	31/12/2019	CHANGE	
			Absolute	%
Operating income	4.119.287	3.230.139	889.148	27,53%
Provisions and Value Adjustments	-7.481.686	-5.169.530	-2.312.156	44,73%
• Provisions and Value Adjustments on loans	-7.959.000	-5.924.307	-2.034.693	34,34%
• Reversal of value adjustments on receivables and provisions	2.064.973	1.022.518	1.042.455	101,95%
• Provisions for risks and charges	-31.660	-256.000	224.340	-87,63%
• Adjustments to fixed assets Financial assets	-	-11.741	11.741	-100,00%
• Value adjustments to owned non-instrumental properties	-1.555.999	-	-1.555.999	100,00%
Profit from ordinary activities	-3.362.399	-1.939.391	-1.423.008	-73,37%
Margin on investment securities	2.839.553	-	2.839.553	100,00%
Extraordinary income	895.740	522.846	372.894	71,32%
Extraordinary expense	-214.628	-240.135	25.507	-10,62%
Balance of extraordinary income and charges and margin on investment securities	3.520.665	282.711	3.237.953	1145,32%
Profit before tax	158.266	-1.656.680	1.814.945	109,55%
Income tax for the year	-	-	-	-
Net income (loss)	158.266	-1.656.680	1.814.945	109,55%

The 2020 financial year closed with a net profit of € 0.158 million, compared to a loss of € 1.657 million (+109.55%) recorded at the end of December 2019.

Statement of assets and liabilities

Loans to customers

Net loans to customers as of 31 December 2020 amounted to € 373.710 million, a decrease of € 54.830 million compared to the previous year.

DESCRIPTION	31/12/2020	31/12/2019	CHANGE		COMPOSITION	
			Absolute	%	31/12/2020	31/12/2019
Total gross loans	456.127.134	496.190.301	-40.063.166	-8,07%	100,00%	100,00%
Provisions for risk on credits	82.416.699	67.648.964	14.767.735	21,83%	18,07%	13,63%
Loss forecasts	78.520.656	64.072.993	14.447.663	22,55%	17,21%	12,91%
Analytical and flat-rate value adjustments	82.416.699	67.648.964	14.767.735	21,83%	18,07%	13,63%
Accrued interest value adjustments	-	-	-	-	-	-
Coverage ratio	18,07%	13,63%	-	-	-	-
Total loans net of provisions for risk on credits	373.710.435	428.541.337	-54.830.902	-12,79%	81,93%	86,37%
Loans net of non-performing loans	351.598.284	401.488.327	-49.890.043	-12,43%	77,08%	80,91%
Non-performing / Performing loans	22,92%	19,09%	-	-	-	-
Non-performing loans net of advances	104.528.850	94.701.974	9.826.876	10,38%	22,92%	19,09%
Non-performing loans net of advances	62.925.993	46.445.716	16.480.276	35,48%	13,80%	9,36%
Analytical value adjustments	62.925.993	46.445.716	16.480.276	35,48%	13,80%	9,36%
Coverage ratio	60,20%	49,04%	-	-	-	-
Non-performing loans net of value adjustments	41.602.857	48.256.257	-6.653.400	-13,79%	9,12%	9,73%
Total impaired loans	26.109.508	31.061.523	-4.952.015	-15,94%	5,72%	6,26%
Loss forecasts	4.681.104	7.674.144	-2.993.040	-39,00%	1,03%	1,55%
Analytical value adjustments	4.681.104	7.674.144	-2.993.040	-39,00%	1,03%	1,55%
Coverage ratio	17,93%	24,71%	-	-	-	-
Impaired loans net of value adjustments	21.428.405	23.387.379	-1.958.975	-8,38%	4,70%	4,71%
Total past due loans	171.387	320.388	-149.001	-46,51%	0,04%	0,06%
Loss forecasts	8.569	32.025	-23.455	-73,24%	0,00%	0,01%
Flat-rate value adjustments	8.569	32.025	-23.455	-73,24%	0,00%	0,01%
Coverage ratio	5,00%	10,00%	-	-	-	-
Past due loans net of value adjustments	162.818	288.363	-125.546	-43,54%	0,04%	0,06%
Total restructured loans	29.901.891	29.704.296	197.595	0,67%	6,56%	5,99%
Loss forecasts	10.904.990	9.921.087	983.902	9,917%	2,39%	2,00%
Analytical value adjustments	10.904.990	9.921.087	983.902	9,917%	2,39%	2,00%

Coverage ratio	36,47%	33,40%	-	-	-	-
Restructured loans net of value adjustments	18.996.902	19.783.209	-786.307	-3,97%	4,16%	3,99%
Total loans to at-risk countries	93	4.165	-4.072	-97,77%	-	-
Loss forecasts	1	21	-20	-	-	-
Flat-rate value adjustments	1	21	-20	-96,97%	-	-
Coverage ratio	0,68%	0,50%	-	-	-	-
Loans to at-risk countries net of value adjustments	92	4.144	-4.052	-97,78%	-	-
Total faulty loans	160.711.729	155.792.345	4.919.384	3,16%	35,23%	31,40%
Loss forecasts	78.520.656	64.072.993	14.447.663	22,55%	17,21%	12,91%
Value adjustments	78.520.656	64.072.993	14.447.663	22,55%	17,21%	12,91%
Coverage ratio	48,86%	41,13%	-	-	-	-
Faulty loans net of value adjustments	82.191.073	91.719.352	-9.528.279	-10,39%	18,02%	18,48%
Total performing loans	295.415.405	340.397.956	-44.982.550	-13,21%	64,77%	68,60%
Value adjustments	3.896.043	3.575.970	320.073	8,95%	0,85%	0,72%
Coverage ratio	1,32%	1,05%	-	-	-	-

At the end of 2020, **gross impaired loans** stood at € 160.711 million, increasing by € 4.919 million (+3.16%) compared to the previous year. In 2020, BAC continued to allocate analytical adjustments on Non Performing Loans as a reduction of the provision for Generic Loan Risks (liability item 80), set up in 2019 following the recognition of additional and final AQR write-downs of € 17.858 million, as they had not yet been identified at the end of 2019. Said provision was fully utilized for € 17.858 million during the 2020 financial year. It is recalled that the total amount of loan impairments, according to San Marino criteria, indicated by the AQR exercise, accounted for by BAC as of the end of 2019, amounted to € 53.5 million.

Credit quality

Having concluded the process of attribution of the AQR adjustments, the constant monitoring of credit positions continued in 2020.

The effective management of impaired loans generated substantial returns in 2020 for proceeds of € 7.671 million on non-performing and substandard loans.

As fully described in the relevant section of the Explanatory Notes, the performance of credit monitoring activities as well as activities related to the prior examination of the solvency of debtors, constitute the basic guidelines of BAC's credit policy.

We summarize what was specified in the previous year, about the process of reviewing and mapping Asset Quality of the Banking System, which the Supervisory Authority had started as early as 2016. In particular, the adjustments to loans indicated by the Supervisory Authority on the basis of the Asset Quality Review statistical exercise as of 30/06/2017, according to San Marino criteria, amounted to €53.5 million.

In the financial statements closed as of 31/12/2017 and 2018, BAC had accounted for adjustments amounting to € 10.9 million, and then proceeded to register additional analytical adjustments amounting to € 24.727 million and lump-sum adjustments amounting to € 17.858 million in the financial statements closed as of 31/12/2019, in order to complete the total adjustments indicated above, the latter being recorded in the provision for credit risks – item 80 of the balance sheet liabilities, although not eligible for the purposes of supplementary regulatory capital. While continuing the constant monitoring of credit positions, BAC allocated analytical write-downs on NPL credit positions for € 17.858 million, as already mentioned in the previous paragraph, through the use of the said Provision for Credit Risks – item 80 of the balance sheet liabilities, discharging it completely.

The table below shows the development of adjustments:

<i>amounts in millions of euros</i>	AQR adjustments according to San Marino criteria as of 30/06/2017	AQR adjustments accounted for between 30/6/2017 and 31/12/2018 (A)	2019 AQR adjustments recorded (B)	Sum (A) + (B)	AQR adjustments 31/12/2020
Total AQR adjustments according to San Marino criteria	53,500	10,915	42,585	53,500	53,500
Broken down as follows:					
Analytical adjustments to NPL Loans	–	10,915	24,727	–	53,500
General adjustments to provisions for doubtful accounts (Liabilities item 80)	–	–	17,858	–	–
		10,915	42,585		53,500

In this context, the incidence of non-performing loans (at gross values) is equal to 22.92% of total loans to customers, (compared to 19.09% at the end of 2019) against a nominal € 104.528 million, an increase of € 9.826 million (€ 94.701 million) compared to last year; in the same period the system data show an incidence of non-performing loans on total loans (gross values) equal to 31.08%⁹; while gross doubtful loans (therefore also including other categories of non-performing loans pursuant to CBSM Regulation no. 2007 /07) represent 35.2% of total loans to customers for € 160.711 million, against a system figure of 63.5%.

The coverage percentages of non-performing loans due to the value adjustments made during the year increased from 41.13% in 2019 to 48.86% in 2020 (64.4% the system coverage ratio on doubtful loans).

As for performing loans, which as of 31/12/2020 amount to € 295.415 million at nominal value (€ 340.397 million as of 31/12/2019), value adjustments were updated for a total of € 3.896 million, with an increase in coverage by way of lump-sum write-down, carried out on the basis of statistical observation of the time series from 2016 to 2020 of the transitions of positions from Performing to Non Performing Loans (so-called transition matrices).

⁹ Financial system and quarterly statistical data Central Bank of the Republic of San Marino.

Assets under management

The year just ended shows the values of overall customer deposits at € 1,332 million (including the Custodian Bank activity for the company BAC Investments SG SpA, operational since 2018), an increase of 3.91% compared to the previous year.

The table below shows customer financial assets as of 31/12/2020, broken down by technical form and included in the aggregates of direct and indirect deposits compared to 2019 data.

Customers' deposits and securities

Customers' financial resources

DESCRIPTION	31/12/2020	31/12/2019	CHANGE		COMPOSITION	
			Absolute	%	31/12/2020	31/12/2019
A) Direct deposits	683.953.698	658.177.704	25.775.994	3,92%	100%	100%
Savings deposits	2.743.614	3.122.094	-378.480	-12,12%	0,40%	0,47%
Customers' euro and foreign currency accounts	433.069.296	398.985.858	34.083.439	8,54%	63,32%	60,62%
Repurchasing agreements	27.441.068	15.785.597	11.655.471	73,84%	4,01%	2,40%
Other funds	10.136.017	-	10.136.017	100,00%	1,48%	-
Certificates of deposit	207.233.579	235.224.575	-27.990.996	-11,90%	30,30%	35,74%
Internal cheques	929.136	1.054.415	-125.279	-11,88%	0,14%	0,16%
Subordinate liabilities	2.400.988	4.005.165	-1.604.178	-40,05%	0,35%	0,61%
B) Managed deposits (market value)	10.480.116	12.509.484	-2.029.368	-16,22%		
of which cash	5.014.170	4.781.471	232.699	4,87%		
of which subordinate Loans	-	240.000	-240.000	-100,00%		
C) Administered deposits (market value)	536.956.496	523.913.192	13.043.304	2,49%		
of which bacInvestments SG funds	116.112.309	105.160.130	10.952.179	10,41%		
of which subordinate Loans	2.395.000,00	3.760.000,00	-1.365.000	-36,30%		
D) Custodian bank activity	116.112.309	105.160.130	10.952.179	10,41%		
of which cash	7.165.957	8.147.742	-981.785	-12,05%		
of which subordinate Loans	-	-	-	-		
Total Deposits	1.332.927.492	1.282.831.297	50.096.195	3,91%		

Direct deposits amounted to € 683.953 million, up by € 25.775 million (+3.92%) compared to the end of 2019, more in detail:

- sight deposits decreased by € 0.378 million;
- current accounts increased by € 34.083 million;
- repurchase agreements for deposits with customers increased by € 11.655 million;
- other funds increased by € 10.136 million and represent deposits from institutional investors;
- certificates of deposit decreased by € 27.990 million;
- bonds issued by the Bank decreased by € 1.604 million.

It should be noted that the Bank issued a subordinate loan in 2013 for a nominal € 20 million with maturity in March 2020, duly repaid, in addition, a subordinate bond issue was carried out with effect from 01/12/2020 and maturity in 2025, reserved for professional customers and BAC Shareholders, shown in the table above under direct deposits, for the remaining amount of € 2.4 million as of 31/12/2020, as well as detailed in Indirect deposits between Administered and Managed, as requested by the Supervisory Authority.

Indirect deposits of € 663.548 million (including the Custodian Bank) show an increase of € 21.966 million (+3.43%) compared to the 2019 figure of € 641.582 million, essentially attributable to the Custodian Bank activity. More specifically, the aggregate shows:

- an increase in administered savings amounting to € 13.043 million (+2.49%),
- a decrease in managed savings amounting to € 2.029 million (-16.22%),
- an increase of € 10.952 million (+10.41%) for the “Custodian Bank” activity for the seven funds managed by the Group’s new company BAC Investments SG SpA, of which two (Absolute Return and Strategic Income), authorized during the first four months of 2020, and distributed through BAC’s commercial network, which made it possible to expand the range of investment products to be offered to customers, in response to their diversification needs; it should be noted that the deposits attributable to the Custodian Bank activity represent an “of which” of the Administered Deposits aggregate.

An analysis of the data in the table shows that customers combined traditional direct deposits products with managed and administered deposit products; the latter includes the investment funds of the subsidiary Bac investments SG SpA.

Financial investments

Financial investments recorded an increase of € 44.907 million (+68.29%) attributable to the purchase and sale of bonds and listed funds on the free portfolio for a total balance of +€ 57.520 million, which also includes the transfer of securities from the fixed asset portfolio for VN (nominal value) of € 39.782 million, authorized by CBSM with prot.20 /13417 of 22/12/2020, as fully described in the paragraph dedicated to the brokerage margin, in addition to the value adjustment of the investment in the Loan Management Fund and the Fondo Odisseo (NAV 31/12/2020). It should be noted that these write-downs are converted into tax credits pursuant to Delegated Decree no. 174 of 27 November 2011 and Delegated Decree no. 72 of 27 June 2013, respectively. In this regard, it should be noted that art. 7 Law no. 223 of 23/12/2020, limits the maximum amount of the benefits of the above decrees, definitively, on the basis of the statements of the mutual funds as of 31 December 2020.

On the segment of financial fixed assets, an overall decrease of € 12.612 million was recorded, determined on one hand by the entry for transfer of some free securities to the three-month period 31/03/2020 on the basis of the provisions for the health emergency by the Supervisory Authority with Prot.20/3582 of 6 April 2020, and on the other hand by the exit for subsequent transfer to the free portfolio on 29/12/2020 detailed as above in accordance with CBSM prot. 20/13417 of 22/12/2020, in addition to the subscription of four further tranches of the Tower Credit Opportunities Fund.

FINANCIAL ASSETS	31/12/2020	31/12/2019	CHANGE	
			Absolute	%
Investment securities	29.902.853	42.515.726	-12.612.872	-29,67%
of which bonds	22.002.461	36.391.477	-14.389.016	-39,54%
Trading securities	80.763.642	23.243.184	57.520.458	247,47%
of which bonds	61.748.311	9.154.456	52.593.855	574,52%
Total financial portfolio	110.666.496	65.758.910	44.907.586	68,29%

FINANCIAL ASSETS Issuers	31/12/2020	31/12/2019	CHANGE	
			Absolute	%
Investment securities	22.002.461	36.391.477	-14.389.016	-39,54%
of which public issuers	17.646.765	36.391.477	-18.744.713	-51,51%
of which credit issuers	2.812.716	-	2.812.716	100,00%
of which financial issuers	-	-	-	-
of which others	1.542.981	-	1.542.981	100,00%
Trading securities	61.748.311	9.154.456	52.593.855	574,52%
of which credit issuers	59.163.878	9.154.456	50.009.422	546,29%
of which financial issuers	2.584.433	-	2.584.433	100,00%
of which public issuers	-	-	-	-
of which others	-	-	-	-
Total debt securities	83.750.772	45.545.934	38.204.839	83,88%

FINANCIAL ASSETS Fixed / variable rate	31/12/2020	31/12/2019	CHANGE	
			Absolute	%
Investment securities	22.002.461	36.391.477	-14.389.016	-39,54%
of which fixed rate	18.157.298	36.391.477	-18.234.180	-50,11%
of which variable rate	3.845.164	-	3.845.164	100,00%
Trading securities	61.748.311	9.154.456	52.593.855	574,52%
of which fixed rate	59.310.053	3.065.234	56.244.819	1834,93%
of which variable rate	2.438.258	6.089.222	-3.650.964	-59,96%
Total debt securities	83.750.772	45.545.934	38.204.839	83,88%

FINANCIAL ASSETS - BONDS Residual Life	31/12/2020	31/12/2019	CHANGE	
			Absolute	%
Investment securities	22.002.461	36.391.477	-14.389.016	-39,54%
• Within 12 months	-	-	-	-
• Within 5 years	10.348.688	10.966.220	-617.532	-5,63%
• Over 5 years	11.653.773	25.425.257	-13.771.484	-54,16%
Trading securities	61.748.311	9.154.456	52.593.855	574,52%
• Within 12 months	-	-	-	-
• Within 5 years	20.465.412	-	20.465.412	100,00%
• Over 5 years	41.282.899	9.154.456	32.128.443	350,96%
Total debt securities	83.750.772	45.545.934	38.204.839	83,88%

For the sake of clarity, the balance of the portfolio and its composition compared to 2019 data are also provided.

In consideration of market conditions and in compliance with investment policies, the aim of diversifying cash investments, having greater contribution to the interest margin and seizing market opportunities led to the following:

- securities on the free portfolio of balanced funds and bonds with a nominal value of € 5 million were purchased;
- at the same time Italian government bonds were sold for a nominal value of € 6 million;
- the free financial instruments generated a trading profit of € 0.593 million and capital gains from valuation of € 0.719 million, net of capital gains from reclassification included in extraordinary proceeds.

The free portfolio is also backed by two mutual funds under San Marino law for € 14.203 million; these are unlisted instruments as described below:

- Loan Management fund for € 3.347 million, signed on 29/12/2012 following the system operation aimed at rescuing a local bank, Credito Sammarinese SpA in Administrative Compulsory Liquidation, which involved the transfer of active and passive legal relationships; in compliance with the contractual terms, the transferee banks, including BAC, transferred the acquired loans to a Management Company established ad hoc under San Marino law. As of 31/12/2020 the fund recorded a revaluation of the NAV of € 0.055 million; the revaluation had no effect on the profit and loss account since it was recorded as a deduction, in accordance with the reference provisions, under the item "temporary tax differences", included in item 130 of Assets "other assets", to be subsequently transformed into a tax credit on the basis of the losses which will be ascertained on the basis of the actual realisation of the assets sold.
- Fondo Odisseo deriving from BAC's participation in a further rescue operation of a credit institution, jointly with two other San Marino banks, through the acquisition of Legal Relations en bloc from BNS SpA (formerly Credito Industriale Sammarinese SpA) subject to bank resolution pursuant to Law no. 102 of 14 June 2019; the finalization took place through two closings, the first of which was finalized on 16/09/2019 with which BAC assumed Protected Reports for € 25.452 million, against 122 units of Fondo Odisseo for a total of € 12.208 million, to which write-downs were deducted based on the NAV of 31/12/2019 and 31/12/2020 for a total of € 1.552 million. These write-downs also did not have any effect on the profit and loss account, as they were charged, based on the regulations governing the Fund (Law no. 72 of 27 June 2013), to a tax credit. The first part of the second closing relating to Employment relationships was completed at the end of 2019 and the second part in the early months of 2020.

Investment-owned financial instruments, net of transfers pursuant to Prot.20/13417 dated 22/12/2020 and Prot.20/3582 dated 6 April 2020 (CBSM), were further increased in 2020 as detailed below:

- subscriptions of an additional four tranches of the Tower Credit Opportunities Fund,
- purchase of two bonds with a nominal value of € 3 million of private and bank issue;
- purchase of BNS bonds for a nominal amount of € 1.220 million, in replacement of some employment relationships upon conclusion of the agreement for the Transfer of the legal relationships in Block of Banca Nazionale Sammarinese (formerly Credito Industriale Sammarinese S.p.A in A.S.) together with two other Credit Institutions.

Shareholdings

DESCRIPTION	31/12/2020	31/12/2019	CHANGE		COMPOSITION	
			Absolute	%	31/12/2020	31/12/2019
Shareholdings	4.723.110	4.718.689	4.421	0,09%	37,97%	36,85%
Investments in group companies	7.714.561	8.086.592	-372.031	-4,60%	62,03%	63,15%
Total shareholdings	12.437.671	12.805.281	-367.610	-2,87%	100,00%	100,00%

A summary illustration of the main subsidiaries in the various areas of the Group's operations was given in the introductory notes to the Management Report to which reference should be made.

Equity investments in Group companies decreased by € 0.367 million due to:

- the revaluation of the company BAC Investments SG SpA for € 0.013 million, due to the allocation to reserves of the profit formed in 2019, as per the results of the financial statements for the year ended as of 31/12/2020.
- The write-down of the company BAC Trustee SpA for € 0.523 million, resulting from the repayment of € 0.400 million of share capital and distributable reserves 0.123 following the amendment of the corporate purpose and the articles of association, in addition to the allocation of the profit formed in 2020 to reserves, as per the results of the financial statements for the year ended as of 31/12/2020.
- The revaluation of the company BAC Life SpA for 0.043 million euros, equal to the allocation of 10% of the profit earned in 2020 to ordinary reserves, as per the shareholders' meeting's approval of the financial statements for the year ended as of 31/12/2020 on 06/06/2021. The dividend distributed to the Parent Company, amounting to €0.390m and corresponding to 90% of the 2020 profit, will be recorded in cash in 2021.
- The revaluation of the company SSIS SpA, 50% owned with Cassa di Risparmio della Repubblica di San Marino SpA, for € 0.004 million deriving from the allocation of half of the year's profit to the ordinary reserve.
- The revaluation of the company BAC Real Estate Srl for a total of € 0.103 million, attributable to the algebraic balance of the write-down for the 2020 negative result for € 0.008 million of the revaluation for € 0.100 million for recapitalization and the revaluation for € 0.011 million to cover the 2019 loss.

The sum of the above adjustments was recorded in the dedicated reserve fund, reclassified under Net Equity excluding the 2019 loss of BAC Real Estate. No change was recorded in the values of the holdings of the Central Bank and the Chamber of Commerce, for which we hold a minority share.

Interbank

As part of its financial activities, the Bank recorded a positive net interbank balance of € 133.467 million at the end of 2020. This balance showed an increase of € 27.581 million in net assets compared to the corresponding figures at the end of 2019, due to the corresponding increase in total direct deposits, as well as prudent management of treasury assets (given the market turbulence brought about by the Covid-19 pandemic). The level of net position bears witness to the virtual absence of interbank borrowing, confirming the constant supervision of liquidity through the management and monitoring of the inherent risks. With a view to monitoring and updating, with respect to market variables and possible evolving micro and macro economic scenarios, and in view of the updated Business Plan, the Risk Appetite Framework (March 2021 edition) was updated and approved by the Board of Directors, i.e. the determination of the amount of overall risks, including liquidity risk, that the Bank is willing to take on in order to achieve its value growth objectives, reflecting the company's risk appetite which, in turn, influences the value growth strategies and the adopted business model.

INTERBANK	31/12/2020	31/12/2019	CHANGE		COMPOSITION	
			Absolute	%	31/12/2020	31/12/2019
Loans to banks	134.657.459	107.140.384	27.517.075	25,68%	100,0%	100,0%
• In euro	125.797.133	103.510.722	22.286.411	21,53%	93,4%	96,6%
• In foreign currency	8.860.326	3.629.663	5.230.664	144,11%	6,6%	3,4%
Debiti verso banche	1.189.695	1.254.211	-64.516	-5,14%	100,0%	100,0%
• In euro	1.189.232	1.254.211	-64.979	-5,18%	100,0%	100,0%
• In foreign currency	464	-	464	100,00%	-	-
Posizione netta	133.467.764	105.886.173	27.581.590	26,05%	100,0%	100,0%
• In euro	124.607.901	102.256.511	22.351.390	21,86%	93,4%	96,6%
• In foreign currency	8.859.863	3.629.663	5.230.200	144,10%	6,6%	3,4%

INTERBANK	31/12/2020	31/12/2019	CHANGE		COMPOSITION	
			Absolute	%	31/12/2020	31/12/2019
Loans to banks	134.657.459	107.140.384	27.517.075	25,68%	100,0%	100,0%
• Short term (up to 12 months)	102.489.663	74.351.303	28.138.360	37,85%	76,1%	69,4%
• Medium and long term (over 12 months)	32.167.796	32.789.081	-621.285	-1,89%	23,9%	30,6%
Amounts due to banks	1.189.695	1.254.211	-64.516	-5,14%	100,0%	100,0%
• Short term (up to 12 months)	1.189.695	1.254.211	-64.516	-5,14%	100,0%	100,0%
• Medium and long term (over 12 months)	-	-	-	-	-	-
Net position	133.467.764	105.886.173	27.581.591	26,05%	100,0%	100,0%
• Short term (up to 12 months)	101.299.967	73.097.092	28.202.875	38,58%	75,9%	69,0%
• Medium and long term (over 12 months)	32.167.796	32.789.081	-621.285	-1,89%	24,1%	31,0%

Net equity and capital ratios

Net equity

If the proposal of the draft budget approved by the Directors is accepted at the Shareholders' Meeting, Net Equity as of 31/12/2020 will amount to € 88.331 million, compared to € 84.947 million at the end of 2019, an increase of € 3.383 million.

The change in net equity is substantially attributable to the positive result for 2020 and the real estate revaluation carried out during the year pursuant to Law no. 113 of 7 July 2020.

The table below shows the Institute's assets in comparison with the 2019 data:

NET EQUITY	31/12/2020	31/12/2019	CHANGE	
			Absolute	%
Capital and Reserves	89.829.484	90.324.966	-495.482	-0,55%
Share capital – subscribed and paid-up shares	20.880.080	20.880.080	-	-
Ordinary reserve fund	50.873.984	54.595.023	-3.721.039	-6,82%
Extraordinary reserve fund	-	-	-	n.d.
Share premium reserve fund	-	-	-	n.d.
Own share reserve fund	14.378	14.378	-	-
Revaluation reserves	18.061.042	14.835.485	3.225.557	21,74%
Retained loss	-1.656.680	-3.721.039	2.064.359	-55,48%
Result for the year	158.266	-1.656.680	1.814.945	109,55%
Total	88.331.070	84.947.248	3.383.822	3,98%

Share capital

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

Own shares

The number of own shares amounts to 553 shares for a nominal value of € 14,378 corresponding to 0.07% of the subscribed capital. It should be noted that in relation to own shares held in the portfolio, the Bank set up a special reserve fund of the same amount, as required by current legislation.

Regulatory capital and capital ratios

The Regulatory Capital, determined in accordance with the provisions of the Supervisory Authority, stood at € 31.330 million, with a Total Capital ratio of 10.11%, an improvement of 1.298% percentage points compared to 31/12/2019, although the PV was deducted the suspensions resulting from the AQR adjustments made in 2018 and 2019 for 8/10, since the bank decided to benefit from 2019, from the statutory point of view, the option descending from art.40 of Law no.173/2018, which allows, following a reasoned application authorized by the Supervisory Authority, the distribution of the results of the AQR exercise to the Profit and Loss Account over a period of 10 years. The imputation, as a deduction from the Regulatory Capital of the AQR adjustments in suspension – as per the express prescription of the Supervisory Authority – in 2020 is equal to € 36.654 million, decreasing by € 4.581 million compared to 31/12/2020, due to the recognition of the portion (1/10) directly to the 2020 profit and loss account.

The lack of capital for the purposes of prudential supervision was partly compensated by the issue and placement of a subordinated loan, dedicated to professional customers, already authorized for inclusion in the Supplementary Regulatory Capital by the Central Bank for € 2.395 million, in addition to the real estate revaluation required by law (Law 113/2020), as reported in the paragraph dedicated to Net Equity and further detailed in the Explanatory Notes, for € 3.204 million.

The Bank also submitted a specific request to the Supervisory Authority, pursuant to Article VII.II.12 of CBSM Regulation 2007–07, in order to be able to take advantage of a waiver of the deduction, in full, of the equity investment in BAC Life SpA, which represents a solid participatory reality and unique in the panorama of San Marino Banking Groups and which, pursuant to CBSM Regulation 2008–01, is already subject to the measurement of the solvency margin, fully respected. In response, with Prot.21/2807 of 09/03/2021, the Supervisory Authority granted BAC in the calculation of the shortfall for 2021 not to take into account the positive difference between the interest to be deducted from the Regulatory Capital and the greater of the required solvency margin and the minimum capital established for the exercise of insurance activity by BAC Life. This numerically translates into a lower capital shortfall of € 1.622 million.

SUPERVISORY CAPITAL	31/12/2020	31/12/2019	CHANGE	
			Absolute	%
Supervisory capital	31.330.660	32.415.393	-1.084.733	-3,35%
A. WEIGHTED RISK ASSETS	-	-	-	-
A.1 Credit and counterpart risk	310.035.766	368.027.833	-57.992.066	-15,76%
C. SUPERVISORY RATIOS	-	-	-	-
C.1 Supervisory capital / Weighted assets	10,11%	8,81%	1,298%	14,73%

Relations with subsidiaries and associated concerns

Transactions with subsidiaries are part of the Bank's ordinary operations and are conducted at normal market conditions. In order to provide information on the relationships and contracts signed and executed with Group companies, the tables below show the relevant relationships:

- **BAC Trustee SpA** opened correspondence current accounts with the Bank for the current management of its business, the balance of which amounted to €0.051 million at the end of 2020.
- **BAC Life SpA** opened correspondence current accounts with the Bank for the current management of its business, the balance of which amounted to €1.562 million at the end of 2020.
- **BAC Real Estate Srl** entered into correspondence accounts with the Bank for € 0.057 million and leasing contracts in SAL for a total of €12.293 million.

Details of financial and business relations with Group companies are shown in the table below.

Assets and liabilities to parent company, subsidiaries and investee companies

DESCRIPTION	31/12/2020	31/12/2019
Assets		
Loans and advances to banks	116.993.426	91.247.546
• BANCA CENTRALE SPA	116.993.426	91.247.546
Loans to customers	12.987.498	12.822.883
• SSIS SPA	693.764	750.585
• BAC TRUSTEE SPA	-	-
• BAC REAL ESTATE SRL	12.293.734	12.072.298
Bonds and other financial debt instruments	-	-
Shareholdings	4.723.110	4.718.689
• SSIS SPA	329.502	325.082
• CAMERA DI COMMERCIO	1.033	1.033
• BANCA CENTRALE SM	4.059.241	4.059.241
• CENTRO SERVIZI	333.333	333.333
Shareholdings in companies of the banking group	7.714.561	8.086.592
• BAC TRUSTEE SPA	167.694	691.029
• BAC LIFE SPA	6.622.787	6.579.402
• BAC REAL ESTATE SRL	406.481	303.259
• BAC INVESTMENTS SG SPA	517.599	512.902
TOTAL ASSETS	142.418.594	116.875.710
Liabilities		
Due to customers	2.392.838	3.813.105
• BAC TRUSTEE SPA	51.162	55.954
• BAC LIFE SPA	1.562.747	3.007.323
• BAC REAL ESTATE SRL	57.114	11.884
• SSIS SPA	134.751	121.550
• BAC INVESTMENTS SG SPA	585.717	616.393
• CENTRO SERVIZI	1.347	-
Debts represented by financial instruments	-	-
• BAC TRUSTEE SPA	-	-
Other liabilities	210.000	210.000
• BAC TRUSTEE SPA	210.000	210.000
TOTAL LIABILITIES	2.602.838	4.023.105
Guarantees and commitments	-	-
• Guarantees given	4.000	4.000
• Commitments	-	-

Revenues and expenses to related parties: subsidiaries and parent company

DESCRIPTION	31/12/2020	31/12/2019
Interest income and similar revenues	-	-
• BAC LIFE SPA	-	-
Interest expense and similar charges	-	-
• BAC FIDUCIARIA SPA	-	-
• BAC LIFE SPA	-	-
Dividends	-	-
• BAC FIDUCIARIA SPA	-	-
• BAC LIFE SPA	-	-
Interest margin	-	-
Commission income	977.490	712.421
• BAC LIFE SPA	362.000	185.718
• BAC INVESTMENT SG SPA	615.490	526.703
Commission expenses	-	-
Profit and losses from financial transactions	-	-
Other net proceeds	75.000	114.663
• BAC FIDUCIARIA SPA	15.000	38.330
• BAC INVESTMENT SG SPA	30.000	38.333
• BAC LIFE SPA	30.000	38.000
Service margin	1.052.490	827.084
Intermediation margin	1.052.490	827.084
Operating costs	215.628	209.429
a) Personnel expenses	215.628	209.429
• BAC FIDUCIARIA SPA distacchi in	55.089	53.659
• BAC INVESTMENT SG SPA distacchi out	96.317	116.341
• BAC LIFE SPA distacchi out	39.635	39.429
b) Other administrative expenses	-	-
Operating result	836.862	617.655

In order to strengthen the Group's governance on subsidiaries, it should be noted that the following company representatives are present in the Board of Directors of the aforementioned companies in the interest of the Parent Company BAC:

BAC Fiduciaria SpA

- members of the Board of Directors: Chairman: Daniele Savegnago, Vice Chairman Emanuele Rossini, Director: Silvia Zomegnan; Director: Berti Lorenz.
- Sole Auditor: Corrado Taddei.

BAC Life SpA

- members of the Board of Directors: Chairman: Wladimir Biasia, Vice Chairman: Emanuele Rossini; Consiglieri: Claudio Maugeri and Cesare Silvio Rizzini Bisinelli; Director: Daniele Savegnago.
- members of the Board of Statutory Auditors: Chairman: Corrado Taddei; Auditors: Lombardi Andrea, Alberto Vaglio.

BAC Investments SG SpA

- members of the Board of Directors: Chairman: Wladimir Biasia, Vice Chairman: Andrea Ragagni; Consiglieri: Silvio Cesare Rizzini Bisinelli, Daniele Savegnago; Director: Luca Pantaleoni.
- members of the Board of Statutory Auditors: Chairman: Stefania Maria Gatti, Auditors: Marco Petrucci, Alberto Vaglio.

BAC Real Estate Srl

- members of the Board of Directors: Chairman: Emanuele Rossini, Director: Ignazio Gibiino.
- Sole Auditor: Stefania Maria Gatti.

Communication, marketing and commercial activity

The COVID-19 health emergency classified the year 2020 as “the year of transformation”, the pandemic significantly impacting all activities, communication, and human relationships.

2020 was supposed to be BAC's 100th Anniversary, full of events and celebrations, something that clearly still cannot be done or planned for today.

The various regulations that followed, starting with the extended lockdown in early 2020, led us to deal with the emergency by reducing the number of operational colleagues and counters open with a review of schedules.

The first priority was ‘physical social distancing’.

So we found ourselves re-inventing the ways in which we could capture customers, show proximity, provide security and maintain the relationship of trust between customer and bank at the levels that set us apart and which characterize banking as a whole. This period was characterized by great stress and fear, an undeniable big challenge.

We focused on simple communication, mainly based on content; the news page of the institutional website was kept constantly updated, as well as the social pages, with regard to regulations and decrees in force from time to time, with information on branch opening hours at ATMs.

The opening of online current accounts was launched which aroused great interest given the requests received and also actual openings which, in ordinary activities, would not have been obtained (mainly Italians in areas not bordering San Marino, or Italians/Sammarinese resident abroad) and all depositors.

BAC's institutional website has also been implemented with a ‘real estate’ page relating to the bank's assets for sale, generating a great deal of interest and contact opportunities for potential disposals; slides of these assets are also advertised at ATM counters and alternate monthly.

The problem relating to COVID 19 strengthened the collaboration between the various structures/operating units of the bank and was transformed into an opportunity; BAC was able to further demonstrate its closeness to the territory as it was the first institution to support families and businesses with the granting of moratoria, new finance and offering products with facilitated conditions whose use was in compliance with the distancing (ATMs, web banking, credit cards).

BAC's strong attention to its internal customers (employees/collaborators) and external customers made it possible for it to be the only banking institution in San Marino to grant insurance coverage for those who had undergone hospitalization due to coronavirus; the appreciation and subscriptions from customers was significant.

BAC, together with the other banks, promoted a fundraising campaign which made it possible to allocate around € 90,000 (BAC share only) to the Civil Protection of San Marino, in addition to 135 donations and a direct donation of €5,000 from the bank.

As regards the websites of BAC Investments SG and BAC Life, these are regularly updated with the returns of the products offered, making them more usable and consultable by clients, potential clients and employees; in favor of the latter, a market analysis is prepared weekly by our management company.

Two new funds were issued by BAC Investments SG to complete the offer to customers who wish to invest in securities with coupons, or those who are willing to leave more freedom of action to the fund manager regarding the share of stock/bonds/currencies, in search of the highest possible return. BAC Fiduciaria changed its corporate purpose to Trust company and the new name changed to BAC Trustee, this will allow the development of a new business, while the trust activity was taken over by the parent company BAC.

Our presence in all the main local newspapers continues, as does our activity on our Facebook and LinkedIn pages and on our recently reactivated Youtube channel. All pages achieved maximum visibility since their creation.

In the commercial area, given the moment, funding for families or professionals was developed for the purchase of hardware and software, with the aim of improving the tools available for distance learning or smart working.

The project developed with our communication agency regarding social distancing was effective; we created gel distribution columns with BAC brand and QRcode that, when framed, directs the user to a BAC advertising page, as well as stickers to be applied on the floor with messages about distancing, hand cleaning and use of masks, also with QRcode.

There were numerous sponsored initiatives such as: Corporate Run Giro del Monte, palestra Energia, support to sports federations, 1000 miles and many other projects of interest to the country.

The new variants of the COVID 19 virus are leading to alternating periods of opening and blocked movements, in any case still prevailing the obligation of distancing and reduction of contacts; despite the operational limits, it has been decided to maintain an optimal service for customers and adequate flexibility of hours, remaining the only institution in San Marino which offers continuous hours in 2 different branches, in addition to the forthcoming installation of 2 advanced ATMs at the new shopping center "The Market", now close to opening to the public.

The first few months of 2021 saw the development of new products such as Green Leasing (leasing aimed at the purchase of electric or plug-in vehicles), pos revolving (credit line for the advance payment of future pos collections), residential building loans (new economic conditions), the new BAC 100 account (dedicated to the 100th anniversary), the supply chain project (aimed at acquiring suppliers of our customers/selected companies), as well as the resumption of foreign operations relating to forward exchange transactions.

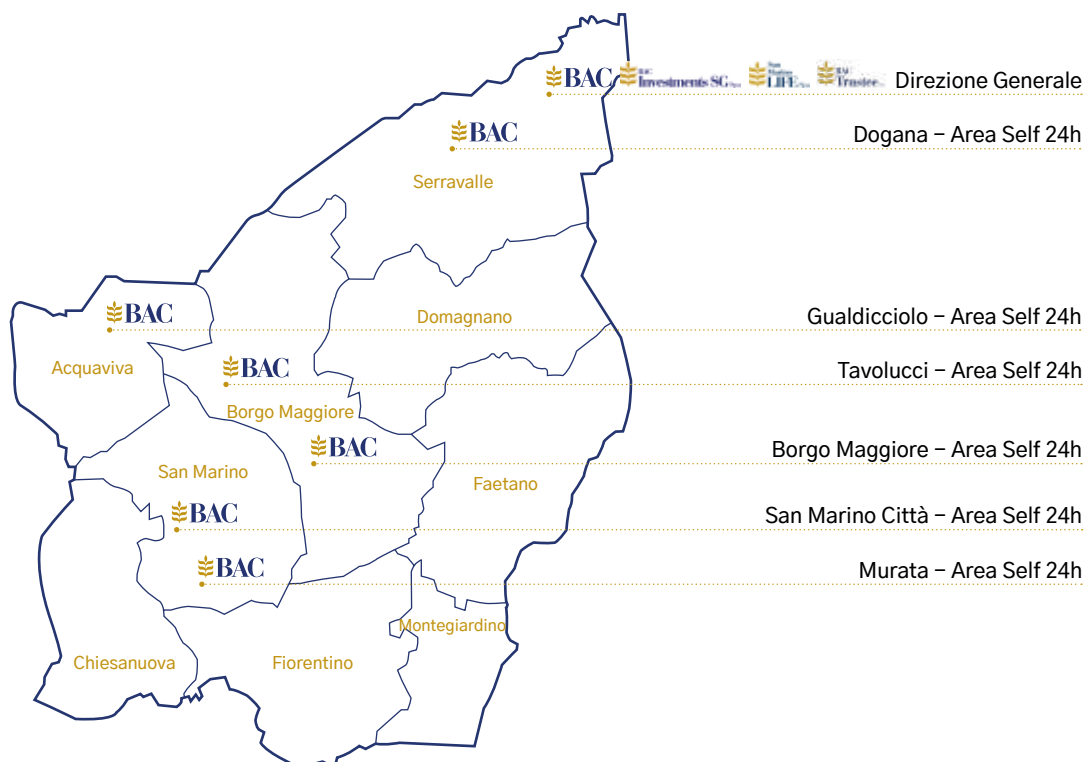
On 22 January 2021 the new company San Marino Finanza e Previdenza srl were established, an insurance agency that will see BAC in a joint venture with the partners of Finanza and Previdenza of Imola, aimed at offering non-life and life insurance policies, strengthening the commercial proposal of the BAC group.

As far as communication is concerned, an agreement was finalized with ABI (Italian Banking Association) at the end of 2020 for the publication of the monthly report on the analysis of economic trends and financial-credit markets, as well as finalizing various agreements with merchants and companies in favor of customers, members and employees that will be highlighted on the institutional website www.bac.sm.

BAC, thanks to its retail network which is structured with a distribution model consisting of main branches and branch offices, is present throughout the Republic, thus being able to provide rapid responses and ensuring maximum flexibility.

- General Management, together with the four subsidiaries: BAC Investments SG, BAC Life, BAC Trustee and San Marino Finanza e Previdenza.
- 5 branches and 3 information desks to cover the entire San Marino territory.
- Internet Banking to have your bank always a click away.
- Self-service areas open 24 hours a day to guarantee a complete and constant service.

Repubblica di San Marino



Organizational activity and operational structure

The organizational and operational activities launched and supervised for the adequate functioning of the structures and services provided by the Bank mainly concerned the constant monitoring of internal production processes with a view to evolving efficiency levels through technological and functional interventions, adjustments dependent on the evolution of regulations issued from time to time by the competent bodies, as well as the management of projects aimed at developing the operational structure.

Operational structure and projects

During the year, the “organisational structure” was further developed with a view to the constant pursuit of the objective of making processes more efficient. The update of the “General Regulations for Corporate Bodies, General Management and Peripheral Structures” concerned both the composition of the management structures and some operational processes, which can be summarized as follows:

- integration of the activities foreseen under the Internal Auditing Function,
- inclusion of the Compliance Officer among the participants in the Risk Committee and integration of the activities assigned to the same Function,
- re-introduction of the Difficult Credit Management Organizational Unit and consequent adjustments to the activities attributed to the Credit Organizational Unit,
- assignment of the Marketing Department to the Sales Manager (and consequent elimination of the Corporate Identity Department),
- internal attribution of the role of Data Protection Officer.

In the organizational area, process mapping activities were launched with the aim of analyzing the bank’s processes, both at branch level and in relation to internal offices, in order to obtain an overall picture of the BAC Group’s processes and to be able to assess their consistency and efficiency. The mapping activity involves a process divided into three phases: Analysis and mapping of current processes, data processing and definition of sizing, analysis of the results and definition of the efficiency strategies, which will be repeated on the various operating units, branches and subsidiaries of the BAC Group.

A significant factor during the period in question was the activities arising from the Covid-19 Health Emergency, which had an impact on the organizational, logistical and technological spheres.

In the organizational sphere, the continuous implementation of the various legislative decrees issued from time to time was managed, with the consequent adaptation of internal regulations and with the many activities

aimed at combating the spread of the virus, in order to protect the employees of the BAC group and its customers.

In the logistics area, the layout of multiple offices was reviewed to ensure spacing, setting up new workspaces to guarantee the separation of the components of critical business functions to protect operational continuity in the event of contagion.

All useful sanitary equipment was acquired and made continuously available to the BAC group and customers, while at the same time coordinating extraordinary cleaning and sanitization activities of the premises and work spaces.

In the technological sphere, I.T. infrastructure, Personnel Management and Support and, last but not least, Cyber Security activities were coordinated by the BAC Group with the activation of Smart Working, enabling the Group to reduce the presence of colleagues in its offices by up to 50% of the total workforce.

In the second half of the year the Institute decided to consolidate some changes to the territorial structure of the distribution network already deemed necessary in the first half due to the health emergency. Specifically, the Rovereta and Fiorentino branches (also known as spokes) were definitively closed. This activity allowed the bank to reallocate its staff while safeguarding the commercial service offered to customers, both by strengthening the presence at the branches and by paying greater attention to distribution channels such as remote banking.

A major software selection process was launched to identify a new banking information system to replace the current one (SIB GesBank), in order to ensure operational continuity and an adequate technological platform to support the core business of the BAC Group.

The Software Selection process involved various national and international suppliers, with the aim of assessing the best technological solutions available on the market, in terms of functionality, technology and the best cost/benefit ratio.

In the second half of the year, the IT solution most suited to the Bank's needs was identified and the project to replace the Banking Information System was launched. All of the Bank's operating structures took part in the activities necessary to identify the technical and functional requirements of the new application, in accordance with San Marino regulatory requirements, as well as organizational, process and business needs.

The project is of primary importance and it is believed that it may lead to major improvements in the management and sustainability of the Information System. These improvements are the result of scale and scope factors due to the consortium approach shared with other important San Marino institutions.

Specific technological interventions were also launched aimed at increasing IT efficiency and/or integrating new functions and services, including:

- a review of the IT structures used by subsidiary undertakings, with a view to standardizing their architecture, which will facilitate the more efficient management and use of technical and financial resources;



- the start-up of activities to replace and upgrade the entire PC fleet (hardware and software) with the adoption of the Windows 10 platform, and a simultaneous upgrade of the application and security components present on the workstations, specifying that the activities were completed in the first two months of 2020;
- the design of a new security system, including alarm, access and video surveillance systems at all of the bank's branches and offices; the new functions will allow for more efficient, modern and cost-effective management by the bank, while at the same time ensuring compliance with regulations and the strictest security best practices. The design was completed in the fourth quarter of 2020, the planning provides for the start of works in the first quarter of 2021 and completion within the second half of the year.

In addition to the above, the activities related to the "sale of B.N.S. (formerly Banca CIS)" project, in which our bank was involved as the purchasing counterparty together with BSM and BSI, were also completed. The agreement provided for the assignment of liabilities (current account balances with customers) and assets (specific forms of investment) to the above-mentioned institutions (the transferee banks) in substantially equal shares. The consequent obligations were positively and fully carried out. During the year further project activities were completed and/or launched in the **e-money** area, namely: 1) the start-up of the process of adapting Bancomat debit cards to the Bancomat circuit's circulars regarding the new so-called "NO PIN" and "ChargBack" services. 2) the achievement of Bancomat certification relating to the Acquiring 401070 line, which required adaptation of the software releases installed on the entire POS network and implementation of the related functions on the Gt-POS regarding use of the tokenization and dematerialization services for Bancomat cards; 3) the complete replacement, for all customers, of all credit and prepaid cards issued through the payment institute T.P.@Y Spa following changes dependent on the Institute's new technology provider; 4) the start-up of POS and ATM recongnitioning activities within the renewed Bancomat RAC platform.

In view of the above-mentioned projects and the related investments, the cost control, rigorously undertaken in recent years, continued during the past year, resulting in overall savings of € 0.075 million (-1.21%) in overheads, as shown in the table below, as in the table below which shows a strong saving on administrative expenses and depreciation of capital goods (thus excluding the write-down for adjustment to the market price of a non-instrumental property owned – former branch closed) and an increase in taxes for withholdings for a dispute with the Italian tax authorities, concluded in 2020, as detailed in the paragraph dedicated to administrative expenses.

DESCRIPTION	31/12/2020	31/12/2019	CHANGE	
			Absolute	%
Administrative expenses	-4.672.230	-4.822.103	149.873	-3,11%
Indirect taxes	-207.184	-40.804	-166.380	407,75%
Depreciations on instrumental assets	-1.312.449	-1.404.561	92.112	-6,56%
Total	-6.191.863	-6.267.468	75.605	-1,21%

Regarding **Regulatory Adaptations**, in addition to the evidence already expressed above, we would like to point out the above-mentioned updates:

- “Credit Powers Delegations”;
- “Credit Regulation”;
- “Internal Control System Regulation”;
- “Internal Auditing Regulation”;
- “Anti-Money Laundering Officer Regulation” and that of the “Compliance Officer” Function;
- “Committee Regulations”;
- “Depositors’ Guarantee Fund”;
- “Organizational Model of RSM Law 99/2013”;
- “Policies for the use and management of IT systems”;
- “Relations with the Public Administration and Institutional Correspondence”;
- “Manual of Information Supervision (agg.lug2020)”;
- “Level I Controls”;
- “Risk Appetite Framework”;
- “Consolidated Law on Anti-Money laundering”;
- “Privacy regulations – RSM Law 171-2018”.

Staff

Evolution and composition of the staff

As of 31 December 2020, the Bank's workforce amounted to 115 employees, a decrease of 6 resources compared to the previous year.

This difference was determined by the transfer of 1 resource to a Group Company and the exit of 5 resources (of which 3 Clerks and 2 Officials). All employees are on permanent contracts.

The Board of Directors, by resolution of 11 September 2020, proceeded to appoint Head of the Executive Structure as General Manager, the manager who held the position of Deputy General Manager.

In compliance with Law 131/2005, at the end of the year the secondments of staff between BAC and other Group companies amounted to 2.5 outgoing staff and 1 incoming staff.

Moreover, following the agreement signed with the BNS – regarding the transfer of legal relationships en bloc – as of 1 February 2020 the secondment of 4 employees to BAC was implemented, one of whom returned to BNS ahead of schedule (as of 1 October 2020) compared with the deadline originally set for 31 January 2021.

A total of 4 staff were absent due to leave of absence and union detachment, whilst one employee was absent due to long-term parental leave; 8 staff work part-time. The full-time equivalent stood at 109.12.

At the end of the year, the headcount included one executive, representing 0.87% of the total, 21 middle managers (18.26% of the total), 16 middle managers (13.91% of the total) and 77 white-collar staff (66.96% of the total).

The average age of staff is 45.37 years.

48.43% of staff work in the Commercial Network, whilst 51.57% work in the General Management and Organizational Units. The reduction in the number of staff in the commercial network is due to the closure of 2 branches.

The following tables show the breakdown of staff by category, age bracket, length of service and educational qualifications.

COMPOSITION BY POSITION	Men	Women	Total	% Incidence
Directors	-	1	1	0,87%
Executives	15	6	21	18,26%
Managers	13	3	16	13,91%
Office workers	36	41	77	66,96%
Total	64	51	115	100,00%

COMPOSITION BY AGE	Men	Women	Total	% Incidence
Over 50	15	10	25	21,74%
From 41 to 50	32	24	56	48,70%
From 31 to 40	16	17	33	28,70%
Up to 30	1	-	1	0,87%
Total	64	51	115	100,00%

COMPOSITION BY LENGTH OF SERVICE	Men	Women	Total	% Incidence
Over 30	8	3	11	9,57%
From 21 to 30	18	18	36	31,30%
From 11 to 20	32	27	59	51,30%
Up to 10	6	3	9	7,83%
Total	64	51	115	100,00%

COMPOSITION BY EDUCATION QUALIFICATION	Men	Women	Total	% Incidence
University degree	17	16	33	28,70%
School Diploma	46	35	81	70,43%
Other	1	-	1	0,87%
Total	64	51	115	100,00%

It should be noted that the entire year was strongly affected by the COVID-19 epidemic, which led the government to issue numerous legislative measures aimed at containing its spread. The Bank took prompt action by adopting all the necessary safety measures and safeguards to protect the health of workers and customers within the company, by periodically sanitizing the environment and reorganizing company processes. These measures were maintained even during the less acute phase of the emergency. With the promulgation of Decree Law 51 of 14 March 2020, the presence of workers within the company was reduced to below 50%, encouraging the use of holidays/permissions, supporting “working from home” and guaranteeing workers exemption from service on a voluntary basis through the use of the extraordinary redundancy fund.

Training

Training activities inevitably slowed down in the first half of the year due to the restrictions imposed by the legislator to contain the Covid-19 epidemic. The video-conferencing method activated by leading training companies and, similarly, also by the Bank for the conduct of internal training, nonetheless made it possible to hold seminars and courses, which led to the provision of over 3,000 hours of training.

On the managerial front, the bank, with the help of a professional, involved managers in a project aimed at bringing out strengths and weaknesses, including at organizational level, identifying ways to make work more efficient and encourage communication between people.

Participation in events was registered on issues relating to the impact of COVID-19 on banks' financial statements, financial planning in times of crisis, civil and criminal liability in loan disbursement, liability in the management of business crisis situations, EBA guidelines on the disbursement and monitoring of loans, remote management of customer relations in the banking and financial sector. A resource who participated in the Master in Business Control, now in its fourth edition.

The Bank also promoted participation in the conference on generational succession.

The subject of e-money was discussed internally; this activity involved branch staff.

As regards insurance, e-learning training continued in order to certify possession/maintenance of the professional skills necessary to provide suitable consultancy to the customer. Online courses were followed by in-house courses, focusing on various insurance products, including non-life insurance.

As for anti-money laundering and counter-terrorism, the person in charge held training sessions involving all staff, during which he mainly illustrated the new regulations, the case law and the obligations of the appointed parties; he also held a specific meeting for branch staff on the subject of "cash transactions". It should also be noted that the Anti-Money laundering Officer took part in the training course organized by the Associazione Italiana Responsabili Antiriciclaggio (Italian Association of Anti-Money Laundering Officers) on the role of the anti-money laundering function and the monitoring of AML/CFT risks and, together with the substitute Anti-Money laundering Officer, in the event focused on operational problems of adequate verification and Covid, as well as in the seminar on the "new" obligations in the anti-money laundering field consequent to the Measures issued by the UIF (Financial Intelligence Unit for Italy).

The Group's resources are licensed to practise the profession of Trust and have fulfilled the obligation of annual refresher courses at the Academy of Trusts of the Republic of San Marino; moreover, thanks to participation in the training course and the passing of the exam by one resource, BAC group further increased the number of personnel licensed to practise the profession of Trust. Participation in the VIII National Trust Congress in Italy was also recorded.

It is worth highlighting that a colleague obtained the international certification which validates the skills necessary to carry out the fundamental functions in the field of IT security, so-called corporate cybersecurity.

Office automation courses at various levels were also promoted.

Office automation courses at various levels were also promoted.

Particular attention was paid to training regarding safety in the workplace: in compliance with Law 31/1998, courses were organized on First Aid, Firefighting, Training and information for workers, as well as a course for the Employee Safety Manager (RLS).

Trade union relations

Negotiations for the renewal of the Collective Labor Contract for white collar, middle management and auxiliary staff began during the year, via the San Marino Banking Association.

Numerous meetings were held which, unfortunately, did not lead to any agreement between the parties. At the end of the year the negotiating table was closed, with each bank having the right to implement the actions deemed most appropriate.

Regarding the category of Officials, whose contract is company-based, the Bank's Management sent a formal request to the Company's Trade Union Delegation and the Trade Unions to begin negotiations for renewal.

At corporate level, several meetings were held with the Company Trade Union Representatives in an atmosphere of constructive discussion. It should be pointed out that, in 2020, the effect of the Agreement signed in 2017 aimed at guaranteeing the stabilization of the current staff for the three-year 2017-2019 period ended, against the suspension of the item "Adjustment Contractual Increase" equal to 6.5% of the gross overall remuneration. This pay item was therefore paid again in December 2020.

Risk management and control methodologies

The Internal Control System (hereinafter referred to as ICS) consists of a set of rules, procedures and organizational structures that aim to ensure compliance with corporate strategies and the achievement of effectiveness and efficiency of business processes, safeguarding the value of activities, the reliability and integrity of accounting and management information and the compliance of operations with the current applicable regulations.

The Bank structured its internal control system in a way to make sure that its activities are based on sound and prudent management and effective risk management which is in line with the strategies and policies adopted and enables it to achieve its corporate objectives in compliance with plans, procedures and internal regulations as well as with the law and supervisory regulations.

The internal controls involve the administrative bodies, the Board of Statutory Auditors, the Management and all staff with different roles and are an integral part of the Bank's daily activities.

The control system is divided into three levels:

- line controls (first level), aimed at ensuring the right execution of operations. They are carried out by the same operating structures (for example, hierarchical controls) or incorporated into procedures or performed as part of back-office activities;
- risk management and compliance controls (second level), which aim to verify compliance with the limits assigned to the various operating functions, to check the compliance of the company's operations with the regulations, including those of self-regulation. They are entrusted to specific functions, in order to ensure the separation between operational and control functions;
- the internal audit activity (third level), which aims to assess the functionality of the overall internal control system and identify anomalous trends, violations of procedures and regulations. It is conducted continuously, periodically or by exception, including through on-site audits by the Internal Auditing Function.

The **Internal Auditing Function** (hereinafter referred to as IA) is responsible for assessing the completeness, adequacy and functionality of the internal control system and bringing possible improvements to risk management policies as well as measurement tools and procedures to the attention of the Board of Directors and the Head of the Executive Structure.

The IA also aims to contribute to the protection of the assets and Group stability and all its member companies and to provide a "reasonable guarantee" that the company organization can efficiently achieve its objectives.

The IA Officer reports directly to the Board of Directors, prepares the guidelines and the annual audit/inspection plan to be carried out with

regard to the Bank and all Group entities and proposes them to the Board of Directors for approval.

All other control functions – **Risk Management, Compliance, Anti-Money Laundering** – also report directly to the Board of Directors, in compliance with current regulations.

The Risk Management Function deals with second-level controls in the risk management area, and contributes particularly to the definition of risk measurement methods, verifies compliance with the limits assigned to the various operating structures and checks the consistency of the operations of individual production areas with the assigned risk-return objectives. The Risk Management function has an overall view of all the risks assumed by the Bank and more so by the Group, and gathers the specific skills pertaining to the management of the various types of risk within it, ensuring the promotion of a risk culture at corporate level.

The Compliance Officer (Compliance Function), is the guarantor of the verification of the Bank's regulatory compliance and its Subsidiaries where applicable, with the provisions of the law, the articles of association, and the supervisory regulations, ensuring compliance with the same. In particular, he ensures the adequacy, functionality and reliability of the controls in line with legal and regulatory requirements as well as internal policies and procedures. He provides consultancy on compliance to corporate bodies and staff and collaborates in the definition of internal policies, procedures and processes to ensure compliance and to manage the so-called "compliance risk".

In addition, he manages the Complaints Department by carrying out the following activities: collecting and recording complaints submitted by customers, carrying out their investigation and involving the competent business units as well as preparing periodic reports.

As for the **Anti-Money Laundering Officer**, he is in charge of managing internal reports and carrying out in-depth analysis on them, moreover, he carries out the analysis of the transactions carried out by customers in order to search and acquire useful information for the analysis of the movements and, if the conditions are met, he transmits the relevant information to FIA. He acts as a liaison with the aforementioned Agency and responds promptly to any requests coming from it. Finally, he ensures that access to his archives is forbidden to unauthorized persons and is responsible for the confidentiality of the documents acquired and reports received.

It is noted that during the year the document related to the "Internal Control System (ICS)" was updated with the issuance of the specific Regulation ("March 2020" edition) approved by the Board of Directors of the Parent Company during the meeting held on 29/4/2020 together with the "Internal Auditing Regulation"; the adjustment mainly concerned the updates to the evolution of the organisational structure set out in the current "General Regulations for Corporate Bodies, General Management and Peripheral Structures".

Specifically, the Internal Auditing activities carried out in 2020 followed the planning indications set out in the document "Internal Audit Plan 2020-2021" approved by the Board of Directors of the Parent Company,

in addition to the specific plans made by the Subsidiaries BAC Life S.p.A. and BAC Fiduciaria S.p.A., whose Internal Auditing activities are outsourced to the same Department of the Parent Company BAC. Concerning the subsidiary BAC Fiduciaria S.p.A., it should be noted that during the year 2020 (Shareholders' Meeting held on 27/7/2020), the Company significantly amended its Articles of Association by redefining the corporate purpose, which is now mainly aimed at the "professional exercise of the Office of Trustee" and related activities and adopting the new corporate name of BAC Trustee S.p.A.. Consequently, the interventions carried out by the Internal Auditing Function concerned the original activity of BAC Fiduciaria S.p.A. until the end of the first half of 2020. The specific checks on the new company structure, in view of the changes made, will be defined in coordination with the Parent Company and the Subsidiary. As for the Subsidiary BAC Investments SG S.p.A., it should be noted that the Internal Auditing function was outsourced to a third party company.

It should also be noted that within the Banking Group, the Parent Company carried out the following activities necessary for the exercise of Group governance:

- Regulatory functions: it translated the general and specific provisions issued by the Supervisory Bodies into its own binding directives for its subsidiaries and verified their compliance.
- Control functions: it equipped the Group with an Internal Control System, validated the control procedures and disclosed the criteria for measuring, managing and controlling all risks.

In the interest of the Banking Group's stability, the main general and specific provisions issued by the Supervisory Authorities were translated into Group directives in 2020, as shown below and ordered with respect to the date of issue of the corresponding internal regulations (Circulars):

Internal Regulations	Supervisory Provisions
CIR.2020/05 Depositors' Guarantee Fund CBSM 2017/05	Central Bank Regulation 2016-01 on the Depositors' Guarantee Fund supplemented and amended by Regulation 2017-05 - Circular on the Method of Determining Contributions to the Depositors' Guarantee Fund 2017/01.
CIR.2020/06 Delegated Decree 33/2020	Issuance of Delegated Decree no. 33 of 27 February 2020 "Adaptation of national legislation to international conventions and standards on preventing and combating money laundering and terrorist financing" (Ratification of Delegated Decree no. 21 of 3 February 2020).
CIR.2020/15 CBSM Regulation 2013/04 Euro banknotes and coins revision April 2020	CBSM Regulation 2013-04 on Euro banknotes and coins - Procedure for withdrawing from circulation euro banknotes and coins suspected of being counterfeit/unfit for circulation - operational updates introduced with CBSM Regulation 2020-01 "Miscellany of targeted interventions to revise existing supervisory provisions".
CIR.2020/24 FIA Instruction 2020/008	FIA Instruction 2020/08 "Provisions Regarding Information Data Accompanying Fund Transfers".
CIR.2020/32 FIA Guideline 2020/02	FIA Guideline 2020/02 "Countering Weapons of Mass Destruction Proliferation Programs and their Financing".
CIR.2020/34 FIA Newsletter 2020/01 FIA 2020/02	FIA Newsletter 2020/01 - FIA 2020/02-Special Covid-19 "AML/CFT NEWS" - Examination of the threats, vulnerabilities and resulting AML/CFT risks related to the COVID-19 emergency.
CIR.2020/44 FIA Newsletter 2020/03	FIA Newsletter 3/2020 "News related to the fight against money laundering and terrorist financing published on the main national and international websites".
CIR.2020/50 FIA Circular 2020/03	FIA Circular 2020/03 "Procedure for reporting violations as per art. 31 paragraph 2 of Law 92/2008".
CIR.2020/51 FIA Newsletter 2020/04	FIA Newsletter 2020/04 "News related to the fight against money laundering and terrorist financing published on the main national and international websites".

Furthermore, the main internal regulatory interventions which led to adjustments in the Regulations in use and/or the issuing of new texts are reported below:

Internal Regulations	Internal Regulatory Developments and/or External Regulatory Adjustments
CIR.2020/12 Organizational Model Law 99/2013	Organizational and Management Model ex Art. 7 law 99/2013 – General Part & Special Part.
CIR.2020/17 General Regulation	Update of the General Regulations for Corporate Bodies, Executive Management and Peripheral Structures (“March 2020”).
CIR.2020/18 Internal Control System Regulations and Internal Auditing Regulations	Internal Control System Regulations and Internal Auditing (Internal Audit Function) Regulations – updates (“March 2020”).
CIR.2020/19 Committees Regulation	Regulations for Internal Committees – update (“March 2020”).
CIR.2020/25 Anti-Money Laundering and Compliance Officer Regulations	Anti-Money Laundering and Compliance Officer Regulations – update (“May 2020”).
CIR.2020/35 Manual information supervision	Manual of Data Processing Procedures and Related Internal Control Procedures in Disclosure Supervision Pursuant to CBSM Regulation 2015-01 (“July 2020” version).
CIR.2020/45 AML CFT PF Consolidated Text	Consolidated Law on Anti-Money Laundering, Countering the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction (updated “October 2020”).
CIR.2020/47 Credit Regulation	Credit Regulations – update (October 2020).
CIR.2020/49 Treasury Management Regulation	Treasury Management activity regulation – company liquidity and financial portfolio – (updated “October 2020”).

In carrying out the assurance activity on the management of the risk of non-compliance to which the Bank is exposed, the **Compliance Function** carried out verification activities regarding the Legislative and Regulatory Provisions issued by the Supervisory Authority, the Internal Provisions concerning the Consolidated Financial Statements, Operating Manuals, Circulars, Service Communications and contracts in general. Full organizational and regulatory compliance was noted on all of them.

Control interventions were also carried out within specific areas and the analyses showed that the activity complied with the provisions.

In accordance with internal regulations and the initiative plan, the function carried out a constant and continuous monitoring of the risks in terms of preventing and countering money laundering and terrorist financing.

The **resolutions of the Congress of State** were regularly brought to the attention of the Administrative Body in compliance with the provisions concerning the fight against money laundering and terrorist financing.

All the control functions maintain a continuous critical interaction through periodic moments of discussion and mutual exchange of information in the management of the control processes in order to pursue a full awareness of the risks.

During the year, the **Anti-Money Laundering Officer** was the guarantor of all activities established by current legislation regarding the prevention and countering of money laundering, terrorist financing and the proliferation of weapons of mass destruction. The Anti-Money Laundering Officer received internal reports on suspicious transactions and carried out an in-depth analysis of them and if deemed justified, forwarded the same report to FIA. He carried out the analysis of the transactions by customers by searching and acquiring the information on his own initiative and, in case the anomalies detected were deemed to be actually attributable to a suspicion, he forwarded the report to FIA. He acted as a liaison with FIA, responding promptly to requests coming from the FIA and representing the link between the Company Network and FIA. He drafted the annual report on the activities carried out, including the control plan, submitting it to the Board of Directors for approval, subject to the favourable opinion of the Board of Statutory Auditors, annually proposed a training plan for all employees of the Banking Group to the Anti-Money Laundering Committee, aimed at achieving an ongoing update of senior management, employees and collaborators, according to the tasks performed, analysing the “unexpected” transactions characterized by unusually high amounts and those on which there were doubts about the purposes for which they were actually intended. He oversaw the forwarding of communications on violations of the rules on limitations to the use of cash and bearer securities, on the inconsistency of the declaration of the beneficial owner, on the freezing of funds and objective communications to the FIA. The Anti-Money Laundering Officer also received reports of violations of the anti-money laundering “whistleblowing” regulations, ensuring all employees, collaborators and company representatives can send a report and took care of forwarding these reports to the FIA.

The **Risk Management Function** carried out its activities with the methods and frequency provided for by internal regulations.

In 2020, the Bank approved the update of the three-year Business Plan 2020–2022, an update made necessary also as a result of the health emergency from Covid 19; in line with this document, the Board of Directors also approved the new RAF.

Risk management policies

Concerning the overall management of risks to which it is exposed, the Bank defined the map of significant risks which constitutes the framework within which the risk assessment, measurement, monitoring and mitigation activities are developed. To this end, it identified all the significant risks to which it is, or could be exposed to that could jeopardize its operations, the pursuit of its strategies and the achievement of corporate objectives. For each type of risk identified, the relative sources of generation are identified (also for the purposes of the subsequent definition of the instruments and methodologies to monitor the relative measurement and management) and the structures responsible for management.

On the subject of monitoring and managing risks (credit, market, liquidity, interest rate, exchange rate, counterparty and operational), the Risk Committee met periodically to assess the level reached by the risk indicators as defined by the Board of Directors and to define any return strategies in case of limits being exceeded. If the limits were exceeded, the Board of Directors was informed.

Credit and counterparty risk

Credit risk is defined as the risk that, as part of a credit transaction, the debtor does not fulfil his obligations to repay the principal and/or pay interest, even partially, to his creditor. The definition of credit risk also includes the risk of downgrading of the debtor, i.e. the possibility that the creditworthiness of a counterparty turns out to be lower than originally estimated by the creditor. The procedures for managing and monitoring this risk are governed by the current Credit Regulations. The document defines the Bank's policies on credit disbursement and sets out the guidelines that must guide the lending activity, the organisation of the lending process, the functions involved and the risks associated with it. Concerning strategic limits, the document contains their definition, the permitted level, the monitoring methods and the management of any excesses.

The Prudential Supervisory Regulations (CBSM Regulation 2007–07) require the bank to maintain a level of regulatory capital sufficient to cover 11% of the total risk-weighted assets to cover the risk of loss due to default by debtors. These credit risk weighting coefficients applied to the exposure net of value adjustments, are differentiated according to three parameters and, particularly, debtor counterparties, country risk and guarantees received. In order to focus more on the management and monitoring of non-performing loans, the Bank adopted regulations relating to doubtful loans. The document defines the procedures for classification, management and assessment of doubtful loans. Impaired loans are assigned to specific internal organisational units. In order to reduce the risk of generating non-performing loans and analyse predictive signs of insolvency situations, checks are carried out on anomalous trends, with consequent communication to the organisational units in charge of restoring correct operations.

The credit risk limits that are monitored by the Risk Management function concern: duration limits, limits on the maximum amount financed for mortgage loans compared to the estimated value of the property, as well as specific limits on financial leasing transactions, such as duration, amount of advance rent and amount of final redemption. Monitoring is carried out during the resolution phase. As a result of the significant presence of fixed credit assets credit risk represents a strategic focus of attention as specified below.

In addition to traditional lending activities, banks are normally exposed to position and counterparty risks with reference to securities transactions. To this end, appropriate strategic limits are defined in the Bank in terms of maximum exposure for each security, for homogeneous categories of securities (e.g. asset class, currency, geographical area, etc.) and for each counterparty or banking group, the management and monitoring of which are governed by the Finance Regulations.

Market and exchange rate risk

In managing its own portfolio, the Bank incurs market risks mainly due to the volatility of interest rates and market prices; possible fluctuations in the prices of the securities purchased may generate actual losses (if the security is sold) or potential losses (mark-to-market valuation).

In order to adequately manage and monitor this type of risk, in line with the level of available capital, the Bank defined policies within the Finance Regulations for carrying out financial activities relating to treasury management and the securities portfolio. The document sets out the structure of the finance process, the functions involved, the types of risk involved, the rules for evaluating the securities in the own portfolio, the strategic limits and the related control methods.

The Risk Management Function is responsible for assessing the strategic limits defined in the Regulations and reports the results to the Risk Committee and also informing the Board of Directors in case of excesses. The market risk limits that are monitored by the Risk Management Function concern the own portfolio (securities and banks) and in particular the Maximum Acceptable Loss, the VAR (Value At Risk), the maximum composition limits. Monitoring is carried out by means of market risk analysis (VAR, Duration) provided by an external Servicer and by means of extractions from the information system integrated with market data extrapolated from the Bloomberg infopvider.

In addition, the Risk Management Function is responsible for verifying compliance with the limit relating to exchange rate risk defined in the Finance Regulations. The monitoring concerns the level assumed by the open position in exchange rates.

Rate risk – Banking portfolio

The bank's financial statement is subject to the risk due to fluctuations in interest rates. These fluctuations have an impact on both the economic and equity level, due to the different composition of assets and liabilities in terms of interest rates (fixed or variable) and in terms of repricing times. The Risk Management Function is responsible for monitoring the aforementioned interest rate risk through ALM (Asset Liability Management) models, both in the short-term (impact on interest margin) and in the medium/long term (impact on equity), with the aim of measuring the impact of fluctuations in market rates on the bank's earnings and economic value. The interest rate risk analysis is performed on the basis of reports provided by an external Servicer.

The results of the interest rate risk monitoring, in case of excesses, were submitted to the Risk Committee as well as to the Board of Directors.

Liquidity risk

An adequate level of liquidity is essential for the proper functioning of the all bank operations in both the short and medium to long term. In order to face this risk, it is therefore advisable to have an adequate level of liquid or readily liquid assets in the short term and to be part of a correct ratio between assets and liabilities maturing in the medium-long term. The liquidity level is also monitored by the Supervisory Authority, which for some time now required banks to send specific reports.

The Bank defined its internal strategic limits whose management and monitoring are established in the Finance Regulations approved by the Board of Directors. The liquidity risk limit monitored by the Risk Management Function is the coverage ratio of sight deposits. The indicator expresses the bank's ability to cope with any reductions in demand deposits. Monitoring is carried out on the basis of data extrapolated from the liquidity report sent to CBSM.

The results of liquidity risk monitoring were submitted to the Risk Committee as well as the Board of Directors, in case of failure to comply with the established limit.

Operational risk

Operational risk is inherent to the exercise of banking activity as it is generated transversally by all company processes; the main sources of operational risk are attributable to possible internal fraud, malfunctioning of information systems, professional obligations towards customers or the nature or characteristics of the products offered.

The Bank defined the responsibilities and articulated organisational powers, both on the top management bodies and on the company's organisational units, aimed at controlling the risk in question.

The internal audit function, within the broader scope of its own control activities, carries out specific and targeted checks on operational risks. In terms of capital absorption, current legislation on Prudential Supervision (CBSM Regulation 2007-07) provides for the application of the so-called Basic method of Basel (Basic Indicator Approach). In particular, the minimum capital coverage required is equal to 15% of the average gross intermediation margin of the last three financial years.

Charity

BAC has always paid great attention to charitable initiatives oriented towards social issues and characterized by high ethical values. Also in the past 2020, and in compliance with the resolutions of the Shareholders' Meeting, the Board of Directors of the Bank supported the following associations during the past financial year:

- Associazione Studentesca Sammarinese Scuola Secondaria Superiore;
- Contributo Emergenza COVID-19 Protezione Civile;
- Guardia d'onore del cuore Immacolato di Maria;
- Associazione Oncologica Sammarinese;
- Associazione Nazionale Carabinieri;
- Carità senza confini;
- Comitato Festa parrocchiale di Dogana;
- Colletta Alimentare.

Important facts occurred after year end

The second wave of the COVID-19 pandemic hit the Republic of San Marino again as early as the end of 2020, so emergency legislative activity by the Government continued frequently also in the first months of 2021 (namely Decree Law no. 1 of 5 January 2021, Decree Law no. 41 14 January 2021, Decree Law no. 15 29 January 2021, Decree Law no. 22 12 February 2021, Decree Law no. 46 27 February 2021, Decree Law no. 49 4 March 2021, Decree Law no. 52 18 March 2021, Decree Law no. 62 31 March 2021, Decree Law no. 62 8 April 2021).

The Bank, always with a view to business continuity, carried on the activity of compliance with the Legislative Decrees, putting all the appropriate measures in place in order to maintain an adequate level of services to customers, as well as a working environment adhering to the required health controls.

The above leads us to consider that the analysis regarding the subsistence of the conditions linked to the principle of business continuity as per the recommendation issued on 07/04/2020 to the ODCED (Order of Chartered Accountants and Bookkeeping Experts) of the Republic of San Marino, regarding “The financial statement information relating to the health emergency (COVID-19)”, has been satisfied, of which BAC has taken appropriate notice already from the 2019 financial statements, and also from a broader perspective, having the parameters used by European banks as a benchmark, since such circumstances, extraordinary in nature and extent, have direct and indirect repercussions on economic activity and are subject to constant monitoring in the continuation of the 2021 financial year.

In addition, in January 2021 the International Monetary Fund (hereinafter also IMF) carried out the usual follow-up, following the mission undertaken in 2016, in our Republic to assess the state of the economy and the interventions put in place to overcome the fragilities found in previous Reports. Bac was also called to the usual discussion with the representatives of the IMF, with whom the need to improve profitability and efficiency was shared, as well as to intervene on the reduction of NPLs, through a system solution that allows banks, on one hand, to relieve their balance sheets from the presence of these credits and improve their capital ratios, and on the other hand, to speed up the activities aimed at recovering credits, through a radical regulatory intervention aimed at it.

It should also be noted that in March 2021 the company, manager of the fund, was formalized the request for the liquidation of the Tower Credit Opportunities fund. At the end of the liquidation procedure, the indicated fund will be extinguished and the units of the underlying fund “Green Arrow Private Debt Fund” will be assigned to BAC. Bac provided for the delivery of all documents for the purpose of completing the process of liquidation of the fund.

Business outlook

BAC has revised the 2021–2023 three-year Development Plan, approved by the Board of Directors at the beginning of the year, to take account of the scenario dominated by uncertainty regarding the evolution of the Covid-19 pandemic and its effects on the economy. In a difficult macroeconomic context, characterized, among other things, by a scenario of “lower for longer” interest rates and changes in the behavior of customers, the attention paid to revenues from services and cost containment will continue in 2021, although aware that the effects of the Covid 19 pandemic could generate greater need for provisions on loans than expected and greater turbulence in financial markets.

We wish to express our heartfelt and sincere thanks to all the Bank's Personnel for their profitable collaboration and commitment in carrying out their activities, in an extremely difficult year for the entire country, following the pandemic events linked to the spread of the COVID19 virus.

We extend our esteemed appreciation to the Board of Statutory Auditors and the Supervisory Authority for the feedback and support provided.

Last but not least, our most sincere gratitude goes 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

Dear shareholders,

we submit the financial statements for the year ended as of 31/12/2020 for your approval, consisting, in addition to the Management's Report on Operations, of the Statement of Assets and Liabilities, Profit and Loss Account and Explanatory Notes. We propose to approve the capitalization of the profit for the year 2020 of € 158,265.55 by allocating 20% to the ordinary reserve € 31,653.11 and feeding € 126,613.44 into a non-distributable reserve fund, which can be used to increase the capital in the future (liability item 130 Reserves, d) other reserves), as indicated in Prot.20 /13417 of 22/12/2020 of CBSM following the transfer of securities from the free portfolio to the investment portfolio, a transaction fully described in the paragraph dedicated to the introduction and the brokerage margin; it is also proposed to resolve to cover the 2019 loss of -€1,656,679.93 carried forward by using the same amount of the ordinary reserve fund.

As a result of the above approval, the composition of the Shareholders' Equity will be as follows:

NET EQUITY	31/12/2020
Share capital – Subscribed and paid-up shares	20.880.080
Ordinary reserve fund	49.248.958
Extraordinary reserve fund	-
Share premium reserve fund	-
Reserve fund for own shares	14.378
Non-distributable reserve fund	126.613
Revaluation reserves	18.061.042
Losses carried forward	-
Result for the year	-
Total	88.331.070

It should be noted that the treasury shares held by the Bank are 553 for a nominal value of Euro 14,378 and represent 0.07% of the subscribed capital.

San Marino, 28/05/2021

The Chairman of the Board of Directors

Subjective and objective conditions

Pursuant to article 6, paragraph 10, of Law no. 47 of 23/02/2006 and subsequent amendments and additions, all members of the Board of Directors of the Banca Agricola Commerciale of the Repubblica of San Marino S.p.A. declare the subjective and objective conditions provided for by law for holding the office of Chairman and Directors under their own responsibility.

San Marino, 28/05/2021

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Financial statements representation



Statement of assets

CODE	ASSET ITEMS	2020	2019
10	Cash and cash equivalents with central banks and post offices	3.204.455	7.413.660
20	Treasury securities and other financial instruments eligible for refinancing with central banks	-	-
	a) Treasury securities and other similar financial instruments	-	-
	b) Other financial instruments eligible for refinancing with central banks	-	-
30	Loans to Banks	134.657.459	107.140.384
	a) At sight	100.328.735	64.265.018
	b) Other receivables	34.328.724	42.875.367
40	Loans to customers	305.250.800	351.624.085
	a) At sight	129.616.273	147.404.627
	b) Other receivables	175.634.526	204.219.457
50	Bonds and other debt financial instruments	83.750.772	45.545.934
	a) Public issuers	76.810.643	45.545.934
	b) Bank issuers	5.397.148	-
	c) Financial firms other than Banks	-	-
	d) Other issuers	1.542.981	-
60	Shares, stocks and other capital financial instruments	26.915.723	20.212.977
70	Shareholdings	4.723.110	4.718.689
	a) Financial firms	4.059.241	4.059.241
	b) Non-financial businesses	663.868	659.448
80	Equity investments in group companies	7.714.561	8.086.592
	a) Financial firms	7.140.386	7.783.333
	b) Non-financial businesses	574.175	303.259
90	Intangible fixed assets	1.535.903	1.513.963
	a) Financial leasing	519.419	417.187
	of which assets under construction	-	-
	b) Assets awaiting lease	-	-
	of which due to default by the tenant	-	-
	c) Assets available from debt collection	-	-
	of which assets available for credit extinction through a settlement agreement	-	-
	d) Goodwill	-	-
	e) Installation expenses	-	-
	f) Other intangible fixed assets	1.016.484	1.096.776
100	Tangible fixed assets	165.555.847	171.808.595
	a) Financial leasing	65.711.116	74.254.276
	of which assets under construction	10.636.420	10.833.031
	b) Assets awaiting lease	2.229.101	2.245.789
	of which due to default by the tenant	2.229.101	2.245.789

	c) Assets available from debt collection	69.216.830	67.920.954
	of which assets available for credit extinction through a settlement agreement	69.216.830	67.920.954
	d) Lands and buildings	28.059.785	27.033.194
	e) Other tangible fixed assets	339.015	354.382
110	Capital subscribed and not paid-in	-	-
	of which called-up capital	-	-
120	Own shares or quotas	14.378	14.378
130	Other assets	129.920.007	138.736.791
140.	Accrued income or prepaid expenses	304.212	347.264
	a) Accrued income	101.096	54.679
	b) Prepaid expenses	203.116	292.585
150	Total assets	863.547.227	857.163.311

Statement of liabilities

CODE	LIABILITY ITEMS	2020	2019
10	Amounts due to banks	1.189.695	1.254.211
	a) At sight	1.189.695	1.254.211
	b) Termor without notice	-	-
20	Amount due to customers	473.389.996	417.893.549
	a) At sight	435.812.911	402.107.952
	b) Term or without notice	37.577.085	15.785.597
30	Payables represented by financial instruments	207.233.579	235.224.575
	a) Bonds	-	-
	b) Certificates of deposit	207.233.579	235.224.575
	c) Other financial instruments	-	-
40	Other liabilities	89.384.428	94.276.538
	of which checks in circulation and similar securities	929.136	1.054.415
50	Accrued expenses and deferred income	162.100	94.734
	a) Accrued expenses	1.289	4.223
	b) Deferred income	160.811	90.512
60	Severance	522.895	502.944
70	Reserves for risks and charges	932.477	1.106.357
	a) Provisions for pensions and similar obligations	-	-
	b) Tax reserves	13.803	106.828
	c) Other reserves	918.674	999.529
80	Provisions for credit risks	-	17.857.990
90	Provision for general financial risks	-	-
100	Subordinate liabilities	2.400.988	4.005.165
110	Subscribed capital	20.880.080	20.880.080
120	Share premium reserve	-	-
130	Reserves	50.888.362	54.609.401
	a) Ordinary or legal reserve	50.873.984	54.595.023
	of which Reserve in tax suspension	1.227.968	1.227.968
	b) Reserve for own shares or quotas	14.378	14.378
	c) Statutory reserves	-	-
	d) Other reserves	-	-
140	Revaluation reserves	18.061.042	14.835.485
150	Retained earnings (losses) carried forward	-1.656.680	-3.721.039
160	Profit (loss) for the year	158.266	-1.656.680
170	Total liabilities	863.547.227	857.163.311

Guarantees and commitments

CODE	ITEMS	2020	2019
10	Guarantees given	11.665.947	15.400.333
	a) Acceptances	121.667	1.785.985
	b) Other guarantees	11.544.280	13.614.348
20	Commitments	5.768.898	2.897.185
	a) For specific use	-	-
	of which financial instruments	-	-
	b) For unspecific use	3.592.068	2.270.276
	of which financial instruments	-	-
	c) Other commitments	2.176.830	626.909
	Total	17.434.845	18.297.518

Profit and loss account

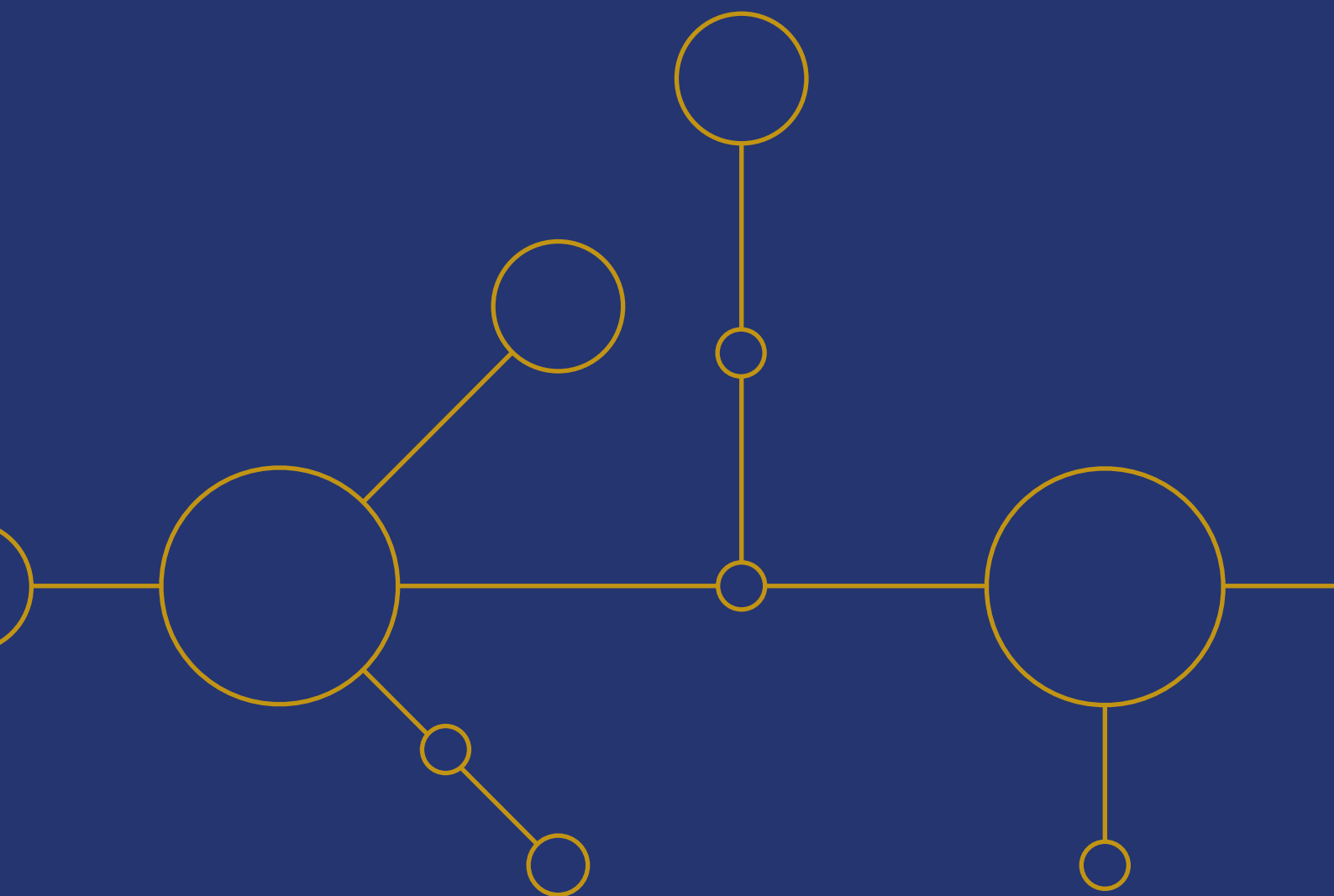
CODE	PROFIT AND LOSS ACCOUNT ITEMS	2020	2019
10	Interest income and similar revenues	12.979.245	14.546.131
	a) On loans to Banks	-4.747	100.272
	b) On loans to customers	12.067.496	13.754.016
	c) On debt securities	916.497	691.843
20	Interest expense and similar charges	3.021.441	3.688.620
	a) On amounts due to banks	3.072	287
	b) On amounts due to customers	694.684	927.136
	c) On debts represented by financial instruments	2.323.685	2.761.196
	of which on subordinate liabilities	16.852	77.362
30	Dividends and other revenues	1.157.687	-
	a) On stocks, quotas and other equity securities	-	-
	b) On shares	150.000	-
	c) On group company shares	1.007.687	-
40	Commission income	5.917.438	5.897.253
50	Commission expense	1.180.512	1.246.068
60	Profits (losses) on financial transactions (+/-)	1.634.377	1.265.379
70	Other operating income	10.517.994	13.068.684
80	Other overhead costs	-	-
90	Administrative expenses	13.142.011	13.357.752
	a) Personnel expenses	8.262.597	8.494.845
	of which:		
	• Salaries and wages	5.952.904	6.103.398
	• Welfare contributions	1.598.640	1.641.015
	• Severance	531.772	543.901
	• Pensions and similar obligations	-	-
	• Directors and advisors	158.751	150.246
	• Other personnel costs	20.529	56.284
	Other administrative expenses	4.879.414	4.862.907
100	Value adjustments on Intangible fixed assets	236.426	319.239
110	Value adjustments on tangible fixed assets	12.063.063	12.935.629
120	Provisions for risks and charges	31.660	256.000
130	Provisions for credit risks	-	-
140	Value adjustments on loans and on provisions for guarantees and commitments	7.959.000	5.924.307
150	Write-backs on loans and provisions for guarantees and commitments	2.064.973	1.022.518
160	Value adjustments on financial fixed assets	-	11.741
170	Write-backs on financial fixed assets	-	-
180	Profit (loss) from ordinary activities	-3.362.399	-1.939.391
190	Extraordinary income	3.735.293	522.846
200	Extraordinary expenses	214.628	240.135
210	Extraordinary profit (loss)	3.520.665	282.711
220	Taxes for the year	-	-
230	Change in the provision for general financial risks	-	-
240	Profit (loss) for the year	158.266	-1.656.680

Cash-flow statement (amounts in euro)

FUNDS GENERATED AND DEPOSITED	31/12/2020	31/12/2019	FUNDS USED AND INVESTED	31/12/2020	31/12/2019
Funds generated by management	21.006.167	18.390.218	Value recovery and use of funds generated by management	2.808.315	2.127.188
Profit (loss) for the year	158.266	(1.656.680)	Use of provision for pension	-	-
Allocation to the pension fund	-	-	Use of provision for severance	521.006	589.845
Severance	540.957	563.415	Use of provisions for credit risk	-	-
Provision for credit risks	-	-	Use of provisions for risks and charges	222.336	514.825
Provisions for risks and charges	48.456	292.567	Decreases in the provision for bad debts	2.064.973	1.022.518
Increases in the provision for bad debts	7.959.000	5.936.048			
Value adjustments on tangible and intangible fixed assets	12.299.489	13.254.868			
Increase in funds deposited	55.563.813	139.124	Increase in funds invested	78.497.762	15.192.137
Amount due to banks	-	117.142	Cash and other values	-	647.971
Amount due to customers	55.496.447	-	Loans to banks	27.517.075	-
Payables represented by financial instruments	-	-	Loans to customers	-	-
Other liabilities	-	-	Bonds and other debt securities	38.204.839	590.939
Accrued liabilities and deferred income	67.366	21.982	Shares, stocks and other equity securities	6.702.747	10.790.230
Subordinated liabilities	-	-	Shareholdings	-	-
			Equity investments in group companies	4.421	362.617
			Tangible and intangible fixed assets	6.068.681	276.626
			Other activities	-	2.523.754
			Subscribed capital not paid-in	-	-
			Accrued income and prepaid expenses	-	-
Decrease in funds invested	53.920.330	86.941.873	Decrease in funds deposited	52.409.789	88.155.705
Cash and other values	4.209.205	-	Amounts due to banks	64.516	-
Loans to banks	-	32.323.371	Amounts due to customers	-	16.113.611
Loans to customers	40.479.258	54.499.301	Payables represented by financial instruments	27.990.996	47.339.043
Bonds and other debt securities	-	-	Other liabilities	22.750.099	20.697.364
Shares, stocks and other equity securities	-	-	Accrued liabilities and deferred income	-	-
Shareholdings	-	122.115	Subordinated liabilities	1.604.178	4.005.688
Equity investments in group companies	372.031	-			
Tangible and intangible fixed assets	-	(111.770)			
Other activities	8.816.784	-			
Subscribed capital not paid-in	-	-			
Accrued income and prepaid expenses	43.052	108.855			
Changes in shareholders' equity	3.225.557	3.816	Changes in shareholders' equity	-	-
Increase "other reserves"	3.225.557	3.816			
Capital payment	-	-			
Total funds generated and deposited	133.715.866	105.475.030	Total funds used and invested	133.715.866	105.475.030

05

Corrigendum





Repubblica of San Marino, 13th october 2021

Corrigendum Balance sheet 2020 - Table n. 28.01 of explanatory notes
(Breakdown of item 100 - 110 "Value adjustments on intangible and tangible assets" Profit and loss")

In the financial statements at 31/12/2020, approved on 23/06/2021 by the Shareholders' Meeting, in table 28.1: Composition of items 100-110 of the Income Statement "Value adjustments on intangible and tangible fixed assets", the item "a) intangible fixed assets" did not contain the details of "of which: on leased assets on intangible fixed assets" for € 41.657 and item "b) tangible fixed assets" - "of which real estate and land" showed an amount of € 2.323.082, instead of 2.499.656 euros; the total sum of item "b) Tangible fixed assets" reported a value of 11.886.489 euros, instead of 12.063.063 euros. The total shown in the Table, in the column referring to 31.12.2020, showed a figure of 12.081.258 euros instead of 12.063.063 euros; as well as the total of the Table referred to 31.12.2019 reported the value of 13,254,868 euros, instead of 12.935.629 euros.

The tables before and after corrections are reproduced, specifying that the errors made do not affect the values correctly shown in the Income Statement under item: "100. Value adjustments on intangible fixed assets "and to the item:" 110. Value adjustments on tangible fixed assets ".

Table before modifies

Table 28.01 Breakdown of item 100 - 110 "Value adjustments on intangible and tangible assets" Profit and loss"

	31/12/20	31/12/19	Changes	
			Amount	%
a) Intangible fixed assets	194.769	319.239	-124.470	-38,99%
- of which: on leased assets		0	0	100%
- of which: on other intangible fixed assets	194.769	319.239	-124.470	-38,99%
software	75.980	70.702	5.278	7,47%
studies, research and training	36.792	45.109	-8.318	-18,44%
various multi-year costs	40.184	161.174	-120.990	-75,07%
accommodation expenses for rent	0	440	-440	-100,00%
concession rights and works of the underpass	41.813	41.813	0,00	0
Total	194.769	319.239	-124.470	-38,99%
b) Tangible fixed assets	12.063.063	12.935.629	-872.566	-6,75%
- of which: on leased assets	9.389.384	11.850.307	-2.460.923	-20,77%
- of which: on other tangible fixed assets	2.673.679	1.085.323	1.588.356	146,35%
mobile safes and systems	90.758	157.362	-66.604	-42,33%
electronic machines	75.631	73.976	1.655	2,24%
motor vehicles				
real estate and land	2.499.656	10.590	2.489.066	23503,92%
equipment and machinery	7.635	10.590	-2.955	-27,90%
other activities				
Total	12.257.832	13.254.868	-997.036	-7,52%

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Table after modifies (the right one)

Table 28.01 Breakdown of item 100 - 110 "Value adjustments on intangible and tangible assets" Profit and loss"

	31/12/20	31/12/19	Changes	
			Amount	%
a) Intangible fixed assets	236.426	319.239	-82.813	-25,94%
- of which: on leased assets	41.657	0	41.657	100%
- of which: on other intangible fixed assets	194.769	319.239	-124.470	-38,99%
software	75.980	70.702	5.278	7,47%
studies, research and training	36.792	45.109	-8.318	-18,44%
various multi-year costs	40.184	161.174	-120.990	-75,07%
accommodation expenses for rent	0	440	-440	-100,00%
concession rights and works of the underpass	41.813	41.813	0,00	0
Total	236.426	319.239	-82.813	-25,94%
b) Tangible fixed assets	12.063.063	12.935.629	-872.566	-6,75%
- of which: on leased assets	9.389.384	11.850.307	-2.460.923	-20,77%
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electronic machines	75.631	73.976	1.655	2,24%
motor vehicles				
real estate and land	2.499.656	10.590	2.489.066	23503,92%
equipment and machinery	7.635	10.590	-2.955	-27,90%
other activities				
Total	12.063.063	12.935.629	-872.566	-6,75%

The Chairman
Prof. Biagio Bossone

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Republic of San Marino, 27th december 2021

Corrigendum Balance sheet 2020 Table 28.1

(Breakdown of item 100 - 110 "Value adjustments on intangible and tangible assets" Profit and loss)

Due to a clerical error occurred on the incorrect correction of the 2020 budget dossier, approval in the meeting of 13/10/2021, table 28.1: Composition of items 100 - 110 "Value adjustments on intangible and tangible fixed assets" of Account Economic reports an incorrect amount on 2019 under the item of which buildings and land for € 10.590 to be replaced with € 843.895. It should be noted that the incorrect item represents a detail of the general item b) tangible fixed assets details of the general item that have been correctly presented as well as the changes that have occurred on these items and therefore the total item, its absolute and percentage change have been correctly represented. Below are the tables showing the changed items.

Wrong Table 28.01

Table 28.01 Breakdown of item 100 - 110 "Value adjustments on intangible and tangible assets" Profit and loss"

	31/12/20	31/12/19	Changes	
			Amount	%
a) Intangible fixed assets	236.426	319.239	-82.813	-25,94%
- of which: on leased assets	41.657	0	41.657	100%
- of which: on other intangible fixed assets	194.769	319.239	-124.470	-38,99%
software	75.980	70.702	5.278	7,47%
studies, research and training	36.792	45.109	-8.318	-18,44%
various multi-year costs	40.184	161.174	-120.990	-75,07%
accommodation expenses for rent	0	440	-440	-100,00%
concession rights and works of the underpass	41.813	41.813	0,00	0
Total	236.426	319.239	-82.813	-25,94%
b) Tangible fixed assets	12.063.063	12.935.629	-872.566	-6,75%
- of which: on leased assets	9.389.384	11.850.307	-2.460.923	-20,77%
- of which: on other tangible fixed assets	2.673.679	1.085.323	1.588.356	146,35%
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motor vehicles				
real estate and land	2.499.656	10.590	2.489.066	23503,92%
equipment and machinery	7.635	10.590	-2.955	-27,90%
other activities				
Total	12.063.063	12.935.629	-872.566	-6,75%

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Correct Table 28.01

Table 28.01 Breakdown of item 100 - 110 "Value adjustments on intangible and tangible assets" Profit and loss"

	31/12/20	31/12/19	Changes	
			Amount	%
a) Intangible fixed assets	236.426	319.239	-82.813	-25,94%
- of which: on leased assets	41.657	0	41.657	100%
- of which: on other intangible fixed assets	194.769	319.239	-124.470	-38,99%
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studies, research and training	36.792	45.109	-8.318	-18,44%
various multi-year costs	40.184	161.174	-120.990	-75,07%
accommodation expenses for rent	0	440	-440	-100,00%
concession rights and works of the underpass	41.813	41.813	0,00	0
Total	236.426	319.239	-82.813	-25,94%
b) Tangible fixed assets	12.063.063	12.935.629	-872.566	-6,75%
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- of which: on other tangible fixed assets	2.673.679	1.085.323	1.588.356	146,35%
mobile safes and systems	90.758	157.362	-66.604	-42,33%
electronic machines	75.631	73.976	1.655	2,24%
motor vehicles				
real estate and land	2.499.656	843.895	1.655.761	196,20%
equipment and machinery	7.635	10.590	-2.955	-27,90%
other activities				
Total	12.063.063	12.935.629	-872.566	-6,75%

The Chairman
Prof. Biagio Bossone

BANCA AGRICOLA COMMERCIALE Istituto Bancario Sammarinese S.p.a.

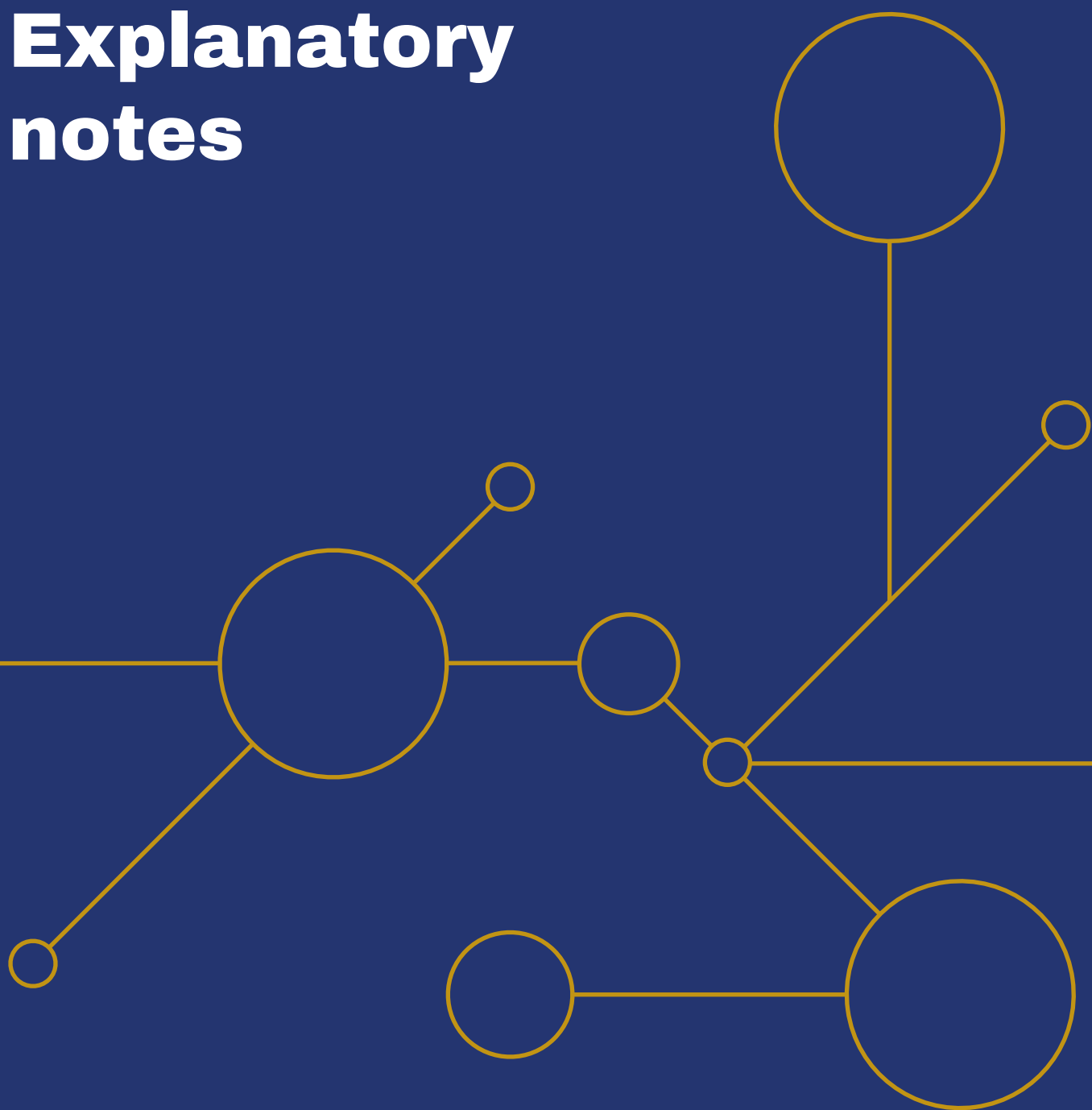
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06

Explanatory notes



Explanatory notes to the 2019 Financial Statements

STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

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Structure and content of the Financial Statements

The financial statements for the year 2020 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 statement's figures, implementing principles of truthfulness and clarity, income and expenses were not offset.

The write-down, amortization of asset items was 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.

The tables of the explanatory notes set out in the 2017/03 application circular of Reg.2016/02 are not given in this document if they are zero and not significant for Banca Agricola Commerciale Spa, for the illustration of the Stock and Flow data of the activity carried out by the company.

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 credit institutions (asset item no. 30)

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. 50 "Bonds and other debt financial instruments".

Loans to credit institutions 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. 40)

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 50 "Bonds and other debt financial instruments".

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 are 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.

Loans are recorded in the financial statements according at their estimated realizable value calculated on the basis of the borrower's state of solvency as well as on the basis of the capacity of the individual borrower to service the debt and regularly fulfil the obligations undertaken.

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 CBSM 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 amortization 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 overdue 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 if the amount is small.

For this reason, they are considered to be “small amounts” if they meet the following significance thresholds:

- value of the individual gross exposure less than 0.5% of the Regulatory Capital;
- total value of gross exposures subject to flat-rate write-downs of less than 5% of Regulatory Capital.
- Otherwise, analytical write-down is carried out.

Loans to “at-risk” countries: Unsecured loans to debtors residing in countries belonging to zone B are written down for country risk on a lump-sum basis, given that they represent an extremely residual part of the loans.

Performing loans: represent loans for which there is no evidence of deterioration in the solvency of the debtors and which are subject to flat-rate write-downs. Flat-rate value adjustments are made on the basis of available information which makes it possible to appreciate the level of risk of the homogeneous category of loans considered, as well as its foreseeable evolution, and which take into account the risk historically latent in the loan portfolio. In determining these adjustments, any analytical write-downs already made with regard to individual positions are taken into account. Flat-rate write-downs are carried out on the basis of the historical series of substandard and non-performing loans and write-downs of the Bank’s loan portfolio, by homogeneous category of debtor.

Bonds and other financial instruments (asset item no. 50)

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 interbank 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 CBSM 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. 50 "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 5 of art. III.II.5 of CBSM Regulation 2016-02:

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.

Shares, Units and other Equity Financial Instruments (asset item no.60)

This item includes financial instruments which are in capital nature, such as shares and units in UCIs. They are valued at the market price (mid-price) on the last trading day available at the end of the period.

Shareholdings (asset items no. 70 and 80)

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 a "cash" basis.

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. 90)

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 amortized 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 amortization 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. 100)

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.

No depreciation is applied to non-instrumental assets returned to ownership following early termination of leasing contracts.

Financial lease transactions (leasing - asset item no. 100)

The amount of assets subject (or awaiting to be subject) to financial lease is recorded in asset item 100 “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.7 of Regulation 2016/02.

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 relating 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 credit institutions (liability item no. 10)

This item shows all the amounts due to national or foreign banks whatever their technical form, except for those represented by bonds or other securities which require to be posted under liability item no. 30 and 100.

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 which require to be posted under liability item no. 30.

The amounts due to customers 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 customer is obliged to forward resale. The above items are recorded at nominal value.

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 CBSM 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 "repurchasing 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". In cases, in fact, of "repurchase agreement" transactions with obligation of retrocession, the assigning bank maintains ownership of the assets underlying the transaction, increasing spot liquidity and, consequently, recording a certain debt to the assignee (liability and not commitment to be recorded in the memorandum accounts Commitments and Risks), as specified by CBSM in prot.21/4182 of 13/04/2021.

Other assets – Other liabilities (asset item 130 – 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. 140 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 personnel 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 unused holidays;
- the fund for contractual rises in employee wages in view of the gap between contracts existing until 31/12/2010.

Provisions for risks on credits (item no. 80)

The provisions for credit risks include all the funds that are destined to cover only possible credit risks and therefore do not have an adjustment function. The provisions for risks on credits are made through specific allocations charged to the profit and loss account item no. 130 “Provisions for risks on credits” and not through the allocation of the profit for the year.

Reserves (liability item no. 130)

The ordinary reserve consists of the allocation of profits formed in previous years as required by the articles of association. Furthermore, it contains the reconstruction of the suspended taxation reserve following the extraordinary demerger operation by reverse incorporation of the company Istituto Bancario Sammarinese Spa, which occurred in November 2012, in application of the law deriving from the tax deduction for increases of the own capital established by Delegated Decree no. 172 of 26/10/2010, subsequently replaced with the law 166/2013 art.74 et seq. According to the aforementioned legislation, article 78 establishes that the suspended taxation reserves recorded in the last financial statements of the demerged company must be reconstituted by the beneficiaries according to the proportional shares. In the event of a partial demerger, the reserves of the demerged company are reduced accordingly. If the tax suspension depends on events concerning specific assets of the demerged company, the reserves must be re-established by the beneficiaries who acquire such elements.

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.

Interest, commissions, charges and income

Interest, commissions, charges and income are recorded on an accrual basis.

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.

Value adjustments and provisions made in application of tax regulations

No value adjustments or provisions have been made in these financial statements exclusively in application of tax regulations; the tax reserve consists of provisions made against the forecast tax liability for the period, calculated on the basis of the tax regulations in force.

Section 2 – The acquisition of BNS assets and liabilities

The bank, in support of the financial system of the Republic, actively participated in the resolution procedure, provided for by Law 102/2019 – Bank crisis resolution tools to protect the stability of the financial system – of Banca Cis – Credito Industriale Sammarinese S.p.A. in A.S. Under the supervision of the Supervisory Authority, Bac was identified as transferee party, together with two other credit institutions, of the en bloc Sale Agreement signed on 11/09/2019 between Banca Nazionale Sammarinese (formerly Credito Industriale Sammarinese S.p.A. in A.S.), and BAC, BSM and BSI; the completion of this complex rescue operation took place through two closings:

- the first, finalized on 16/09/2019, with which Protected Relations were taken over (i.e. amounts due to customers represented by deposits not exceeding € 100,000), for a total of € 25,452,429, against the acquisition of 122 units of an NPL Fund called “Fondo Odisseo” for a total of € 12,209,728;
- the second closing relating to the sale of employment relationships, completed on 13/12/2019, limited to mortgage relationships, leases and current accounts for € 10,434,773, was completed in 2020 with the sale in place of certain employment relationships of bonds issued by BNS for € 1,220,760.

Section 3 – Illustration of the revaluation of company assets pursuant to article 22 law no. 113 of 7 July 2020.

Pursuant to article 22 of Law no. 113 of 7 July 2020, the real estate assets for functional use relating to the owned territorial branches recorded in the register of depreciable assets as of 31/12/2019 were revalued. The revaluation is supported by specific sworn appraisals by professionals registered in the San Marino register and was approved at the board meeting of 29/10/2020. The positive balances corresponding to the revalued assets were set aside in a special reserve, to be used exclusively to cover future losses or to increase the share capital. The positive revaluation balance has been subject to income taxation in the form of a separate tax rate of 4%, as the asset balance is between €2.5 million and €5 million, amounting to €3,338,445. The tax paid of € 133,538 has been accounted for as a reduction of the revaluation reserve fund, which is therefore recorded for € 3,204,908; this revaluation is in addition to the previous revaluation balance carried out in compliance with Article 28 contained in Law no. 160 of 3 November 2015.

DESCRIPTION	Assets residual 31/12/2019	Expertise of sworn esteem	Revaluation	Tax	Revaluation reserve 31/12/2020
Own property Borgo Maggiore	1.244.706	1.460.013	215.306	8.612	206.694
Own property Dogana P.zza Tini	3.904.616	5.211.378	1.306.763	52.272	1.254.492
Own property Dogana via III Settembre	9.874.948	11.616.938	1.741.990	69.680	1.672.311
Own property Tavolucci	706.228	780.615	74.387	2.975	71.411
Total	15.730.498	19.068.944	3.338.446	133.538	3.204.908

Pursuant to article 22, paragraph 5, of Law no. 113 of 7 July 2020, the documentation relating to the certified copy of the Board of Directors' resolution of 29 October 2020 showing the revaluation of assets, consisting of 6 pages, together with the sworn expert appraisals, consisting of 68 pages, is attached to this report as Annex "1".

Part B – Information on the statement of assets and liabilities

Information on the statement of assets and liabilities – Assets

1. Cash and cash equivalents with central banks and post offices (asset item no. 10)

Table 1.1 – Detail of item 10 “Cash and cash equivalents with central banks and post offices”

DESCRIPTION	31/12/2020	31/12/2019	CHANGE	
			Amount	%
Cash and cash equivalents:				
Vault cash	1.536.547	5.489.994	-3.953.447	-72,01%
Foreign currency Vault	938.720	874.375	64.344	7,36%
ATM	402.120	598.925	-196.805	-32,86%
Cheques in € / currency	296.237	420.091	-123.854	-29,48%
Other values	30.831	30.274	557	1,84%
Total	3.204.455	7.413.660	-4.209.205	-56,78%

2. Treasury securities and other financial instruments eligible for refinancing with central banks (item no. 20)

Table 2.1 – Detail of item 20 “Treasury securities and other financial instruments eligible for refinancing with central banks”

Data not present.

3. Loans to credit institutions (asset item no. 30)

Table 3.1 – Detail of item 30 “Loans to credit institutions”

DESCRIPTION	31/12/2020			31/12/2019			CHANGE	
	In euro	In foreign currency	Total	In euro	In foreign currency	Total	Amount	%
A) At sight	91.468.409	8.860.326	100.328.735	60.635.355	3.629.663	64.265.018	36.063.717	56,12%
A1. Reciprocal accounts opened for services rendered	88.843.240	-	88.843.240	59.112.189	-	59.112.189	29.731.051	50,30%
A2. Active current accounts	2.625.168	8.860.326	11.485.495	1.523.166	3.629.663	5.152.829	6.332.666	122,90%
A3. Others	-	-	-	-	-	-	-	-
B) Other receivables:	34.328.724	-	34.328.724	42.875.367	-	42.875.367	-8.546.643	-19,93%
B1. Fixed deposits	32.177.796	-	32.177.796	40.067.438	-	40.067.438	-7.889.642	-19,69%
B2. Active current accounts	-	-	-	-	-	-	-	-
B3. Repurchase agreement and active carryovers	-	-	-	-	-	-	-	-
B4. Others	2.150.928	-	2.150.928	2.807.928	-	2.807.928	-657.001	100%
Total			134.657.459			107.140.384	27.517.075	25,68%

The breakdown of loans due from banks shows an increase in sight deposits on accounts for services rendered for € 29,731,051 and on current accounts for € 6,332,666, while the composition of other receivables due from credit institutions decreased by € 8,546,643. The variations are affected by the combined effect of the increase in total direct deposits, the contraction in lending volumes and, conversely, purchases on the proprietary securities portfolio. BAC constantly monitored liquidity, through targeted management and monitoring of liquidity risk, maintaining the necessary buffers to deal with any stresses arising from the negative economic situation, attributable to the COVID-19 pandemic and in line with the guidelines of the current RAF (Risk Appetite Framework) internal regulations. It should be noted that item “B.1 Time deposits” includes the time deposit for Compulsory Reserve with CBSM amounting to € 32,049,309, established by Decree no. 162 of 3 December 2009, whose contribution percentage was raised by 1% from November 2017, finally, item “B4 Others” includes other restricted amounts on deposit with the Supervisory Authority.

Table 3.2 – Situations of cash loans to credit institutions

CATEGORIES / VALUES	31/12/2020			31/12/2019		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A) Doubtful loans	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-
A1. Non-performing loans	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-
A2. Substandard loans	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-
A3. Restructured loans	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-
A4. Past due / overdue loans	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-
A5. Unsecured loans to "at risk" countries	-	-	-	-	-	-
B) Performing loans	134.657.459	-	134.657.459	107.140.384	-	107.140.384
of which deriving from financial leasing transactions	-	-	-	-	-	-
Total						
of which total financial leasing transactions	134.657.459	-	134.657.459	107.140.384	-	107.140.384

Table 3.3 – Dynamics of doubtful loans to credit institutions

Data not present.

Table 3.4 – Dynamics of total value adjustments of "Loans to credit institutions"

Data not present.

Table 3.5 – Breakdown of “Loans to credit institutions” based on residual life

MATURITY	31/12/2020	31/12/2019
At sight	100.328.735	64.265.018
Up to 3 months	2.160.928	10.086.286
From over 3 months to 6 months	-	-
From over 6 months to 1 year	-	-
From over 1 year to 18 months	-	-
From over 18 months to 2 years	-	-
From over 2 years to 5 years	-	-
Over 5 years	-	-
Maturity not attributed	32.167.796	32.789.081
Total	134.657.459	107.140.384

In the “unallocated maturity” band are included the ROB Deposit and the Deposit as guarantee of translation, set up at CBSM, as indicated by the Supervisory Authority with Prot.21/3676 30/03/2021.

4. Loans to customers (asset item no. 40)

Table 4.1 – Breakdown of item 40 “Loans to customers”

DESCRIPTION	31/12/2020			31/12/2019			CHANGE	
	In euro	In foreign currency	Total	In euro	In foreign currency	Total	Amount	%
A) At sight / revocation	128.820.797	795.476	129.616.273	144.546.808	2.857.819	147.404.627	-17.788.354	-12,07%
A1. Active current accounts	23.763.234	137	23.763.372	32.109.231	233	32.109.464	-8.346.092	-25,99%
A2. Others	105.057.563	795.339	105.852.902	112.437.577	2.857.586	115.295.163	-9.442.262	-8,19%
B) Other credits	175.634.526	-	175.634.526	204.219.457	-	204.219.457	-28.584.931	-14,00%
B1. Active current accounts	4.389.399	-	4.389.399	3.440.002	-	3.440.002	949.397	27,60%
B2. Discounted wallet and subject to collection	2.566.060	-	2.566.060	4.908.830	-	4.908.830	-2.342.770	-47,73%
B3. Repurchasing agreements and active carryovers	-	-	-	-	-	-	-	-
B4. Other financing	168.679.067	-	168.679.067	195.870.625	-	195.870.625	-27.191.558	-13,88%
Total	304.455.323	795.476	305.250.800	348.766.266	2.857.819	351.624.085	-46.373.285	-13,19%

The table above shows all types of guaranteed loans expressed at net values. Analysis of the data shows that the amount of net loans backed by real and personal guarantees represents 78.76% of the overall net loans expressed in Table 4.3 below; moreover, 28.48% is backed by real guarantees (pledge + mortgage).

Table 4.2 – Guaranteed loans to customers

DESCRIPTION	31/12/2020		31/12/2019		CHANGE	
	In euro	In foreign currency	In euro	In foreign currency	Amount	%
A) From mortgages	98.298.003	-	102.524.906	-	-4.226.903	-4,12%
B) From pledge on	8.136.193	-	10.945.151	-	-2.808.959	-25,66%
B1. Cash deposits	2.693.568	-	4.032.974	-	-1.339.406	-33,21%
B2. Securities	679.790	-	1.617.962	-	-938.172	-57,98%
B3. Other values	4.762.835	-	5.294.216	-	-531.381	-10,04%
C) From guarantees of	187.910.138	-	220.656.356	-	-32.746.218	-14,84%
C1. Public administrations	42.024.684	-	42.226.648	-	-201.964	-0,48%
C2. Monetary financial institutions	3.333.479	-	3.354.170	-	-20.691	-0,62%
C3. Investment funds other than money market funds	-	-	-	-	-	-
C4. Other financial institutions	-	-	-	-	-	-
C5. Insurance companies	-	-	-	-	-	-
C6. Pension funds	-	-	-	-	-	-
C7. Non-financial corporations	123.837.145	-	150.294.842	-	-26.457.697	-17,60%
C8. Families and non-profit institutions serving families	15.940.410	-	20.519.558	-	-4.579.148	-22,32%
C8.1. Consumer and producer families	15.940.410	-	20.519.558	-	-4.579.148	-22,32%
C8.2. Non-profit institutions serving families	-	-	-	-	-	-
C9 Others	2.774.420	-	4.261.139	-	-1.486.719	-34,89%
Total	294.344.333	-	334.126.413	-	-39.782.080	-11,91%

The table above shows all types of guaranteed loans expressed at net values. Analysis of the data shows that the amount of net loans backed by real and personal guarantees represents 78.76% of the overall net loans expressed in Table 4.3 below; moreover, 28.48% is backed by real guarantees (pledge + mortgage).

Table 4.3 – Situation of cash loans to customers

CATEGORIES / VALUES	31/12/2020			31/12/2019		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A) Doubtful loans	160.711.729	78.520.656	82.191.073	155.792.345	64.072.993	91.719.352
of which deriving from financial leasing transactions	17.092.779	5.080.691	12.012.088	15.882.258	5.184.699	10.697.559
A1. Non-performing loans	104.528.850	62.925.993	41.602.857	94.701.974	46.445.716	48.256.257
of which deriving from financial leasing transactions	9.324.106	4.286.821	5.037.285	12.100.586	4.283.366	7.817.220
A2. Substandard loans	26.109.508	4.681.104	21.428.405	31.061.523	7.674.144	23.387.379
of which deriving from financial leasing transactions	7.117.247	784.570	6.332.677	3.181.238	864.579	2.316.660
A3. Restructured loans	29.901.891	10.904.990	18.996.902	29.704.296	9.921.087	19.783.209
of which deriving from financial leasing transactions	581.770	5.818	575.952	594.198	36.130	558.068
A4. Past due / overdue loans	171.387	8.569	162.818	320.388	32.025	288.363
of which deriving from financial leasing transactions	69.656	3.483	66.173	6.235	624	5.612
A5. Unsecured loans to at "risk countries"	93	1	92	4.165	21	4.144
B) Performing loans	295.415.405	3.896.043	291.519.362	340.397.956	3.575.970	336.821.985
of which deriving from financial leasing transactions	61.636.031	2.310.630	59.325.401	71.667.441	2.222.662	69.444.779
Total	456.127.134	82.416.699	373.710.435	496.190.301	67.648.964	428.541.337
of which total financial leasing transactions	78.728.810	7.391.321	71.337.489	87.549.699	7.407.361	80.142.338

The table in question includes, together with the so-called traditional loans to customers, also loans from financial leasing activities. It therefore expresses the sum of the balance sheet items "40 – Loans to customers", "90 a) – of which intangible financial leasing" and "90 b) – of which assets pending lease", "100 a) – of which tangible financial leasing" and 100 b) – of which tangible assets pending lease". Nonetheless, the residual debt of the fixed assets subject to leasing contracts expressed net of the relative depreciation funds are recorded in the accounts under tangible fixed assets. Financial assets classified as non-performing are composed of two main elements: loans connected with the overdue and unpaid instalments, included in the balance of the non-performing loans item in table 4.1 and the residual debt in principal which, although attributable to the underlying non-performing loan, is recorded in the financial statements pursuant to Law no. 115 of 19/11/2001, under the item "of which assets pending lease". For non-performing loans, substandard loans, restructured loans and "past due" loans exceeding 0.5% of regulatory capital, the presumed impairment losses were calculated analytically based on the quality of the individual debtors, i.e. according to their ability to meet their obligations, on the basis of the information available on the equity, economic and financial situation



of these parties. In determining the presumed loss of value, any real and personal guarantees acquired were also taken into account. For the other types of loans, as specified in the valuation criteria, an arbitrary write-down was calculated on the basis of statistical observation on the historical series from 2016 to 2019 of position transitions, in numerical and nominal terms, from the performing portfolio to the Non-Performing portfolio (transition matrices), as well as the loss transfers made during the observation period.

Table 4.4 – Dynamics of doubtful loans to customers

REASONS / CATEGORIES	Non-performing loans	Substandard loans	Restructured loans	Past due / Overdue loans	Unsecured loans to "at risk" countries
A) Initial gross exposure	94.701.974	31.061.523	29.704.296	320.389	4.165
of which interest on arrears	1.583.656	1.124.393	-	-	-
B) Increases	19.104.486	19.185.876	44.384.347	220.981	394.612
B1. Income from performing loans	148.750	11.681.712	-	106.444	-
B2. Income from other categories of doubtful loans	16.299.872	144.753	262.013	3.729	-
B3. Interest on arrears	65.047	221.168	2.765	224	20
B4. Other increases	2.590.817	7.138.242	44.119.569	110.585	394.591
C) Decreases	9.277.610	24.137.891	44.186.752	369.982	398.684
C1. Expenditure on performing loans	-	178.305	-	43.019	-
C2. Expenditure on other categories of doubtful loans	62.648	16.303.505	-	166.707	96
C3. Cancellations	2.794.578	762.563	-	-	-
C4. Collections	3.002.382	4.669.235	44.168.902	142.047	398.587
C5. Income from sales	-	-	-	-	-
C6. Other decreases	3.418.002	2.224.284	17.850	18.209	-
D) Final gross exposure as of 31/12/20	104.528.850	26.109.508	29.901.891	171.387	93
of which interest on arrears	1.624.352	598.521	-	-	-

Strict monitoring of loans to customers and the consequent checks on their classification continued; specifically, there was a significant increase in non-performing positions deriving largely from the transfer of doubtful loans from another category, with a consequent decrease in the latter.

The management of impaired loans produced:

- collections on non-performing loans for € 3,002,382 and € 4,669,235 on impaired positions;
- write-offs for € 2,794,578 on non-performing positions and € 762,563 on impaired loans.

The year 2020 recorded an increase in gross impaired loans for € 4,919,384, but there was a significant decrease in the amount of net impaired loans, which decreased by € 9,528,279, -10.39% compared to the previous year, as a result of the considerable value adjustments made in the current year. We would also like to point out that, following the amendment of CBSM Regulation no. 2007/07, which implemented the CBSM Miscellany no. 2013/06, tangible fixed assets subject to early termination of leasing contracts due to default of the creditor were reclassified among impaired loans. We specify that the amount of these fixed assets is equal to € 2,229,101 and their movements are subsequently represented in the relative table. Impaired positions present a coverage ratio of 48.86%, compared to 41.13% in the previous year, confirming the important effort made by the Bank in prudently assessing its credit loans, as detailed in Table 4.5 below. We repeat what was already specified in the previous year with regard to the circumstance represented by the Supervisory Authority's initiation in 2016 of the process of Review and Mapping of the Asset Quality of the banking system; the adjustments on loans indicated by the same Authority on the basis of the statistical Asset Quality Review exercise as of 30/06/2017, according to San Marino criteria, amounted to € 53.5 million. In the financial statements closed on 31/12/2017 and 31/12/2018 BAC had accounted for adjustments amounting to € 10.9 million, and then proceeded to record additional analytical adjustments amounting to € 24.727 million and flat-rate adjustments amounting to € 17.858 million in the financial statements closed on 31/12/2019, to complete the total adjustments indicated above, the latter being recorded in the provision for credit risks – item 80 of the balance sheet liabilities. While continuing the constant monitoring of credit positions, BAC allocated analytical write-downs on NPL credit positions for € 17.858 million, through full use of the above-mentioned provision.

The table below shows the development of the adjustments:

<i>amounts in millions of euros</i>	AQR adjustments according to San Marino criteria as of 30/06/2017	AQR adjustments accounted for between 30/6/2017 and 31/12/2018 (A)	2019 AQR adjustments recorded (B)	Sum (A) + (B)	AQR adjustments 31/12/2020
Total AQR adjustments according to San Marino criteria	53,500	10,915	42,585	53,500	53,500
Broken down as follows:					
Analytical adjustments to NPL Loans	-	10,915	24,727	-	53,500
General adjustments to provisions for doubtful accounts (Liabilities item 80)	-	-	17,858	-	-
		10,915	42,585		53,500

The bank availed itself of the option under Article 40 of Law no. 173 of 24 December 2018, i.e. to spread the amount of these residual write-downs over 10 financial years, starting from 2019, and therefore the second tenth amounting to € 4.582 million was recorded under the profit and loss account in the 2020 financial statements.

Table 4.5 – Dynamics of total value adjustments of loans to customers

CATEGORIES	Non-performing loans	Substandard loans	Restructured loans	Past due / overdue loans	Unsecured loans to "at risk" countries	Performing loans
A) Initial overall adjustments	46.445.717	7.674.144	9.921.088	32.025	21	3.575.970
B) Increases	21.524.776	2.127.193	1.014.217	6.463	-	637.861
B1. Value adjustments	16.677.508	2.058.765	1.012.907	5.445	-	610.984
of which interest on arrears	61.981	-	-	-	-	-
B2. Use of provisions for credit risk	-	-	-	-	-	-
B3. Transfers from other credit categories	4.112.855	68.423	1.310	1.017	-	24.957
B4. Other increases	734.412	5	-	-	-	1.919
C) Decreases	5.044.501	5.120.234	30.314	29.918	21	317.788
C1. Value recoveries on valuations	697.581	47.915	30.314	21.504	21	259.379
of which interest on arrears	-	-	-	-	-	-
C2. Value recoveries from collection	827.927	180.332	-	-	-	-
of which interest on arrears	-	-	-	-	-	-
C3. Cancellations	2.784.580	758.352	-	-	-	-
C4. Transfers to other credit categories	-	4.133.634	-	8.414	-	58.409
C5. Other decreases	734.413	-	-	-	-	-
D) Final overall adjustments as of 31/12/20	62.925.992	4.681.104	10.904.990	8.569	-	3.896.043
of which interest on arrears	1.623.369	-	-	-	-	-

The dynamics of value adjustments highlight the Bank's commitment to continue its activities to monitor and hedge impaired loans, raising the adjustment provision to € 82,416,699 in 2020, compared to € 67,648,964 in 2019; fed, in addition to the movements of the year (provisions, revaluations and uses), by the allocation of additional analytical write-downs in use of the General Provision for Risks under item 80 of Balance Sheet Liabilities for € 17.857 on NPLs positions. Total coverage is equal to 18.07% of gross loans, of which: 1.32% on performing loans, 5% on past due and overdue loans, 36.47% on restructured loans, 17.93% on substandard loans, 60.20% on non-performing loans.

As already described in the valuation criteria, the possibilities for recovery of Non-performing, Impaired and Restructured loans were analytically assessed. For past-due and/or overdue loans, an analytical valuation

was carried out on positions exceeding 0.5% of Regulatory Capital and a flat-rate valuation for those of a lower amount, with expected loss percentages increased compared to those estimated for performing loans. This practice is pursued on condition that the aggregate subject to flat-rate valuation does not exceed 5% of the Regulatory Capital, otherwise all exposures are assessed on a case-by-case basis. For doubtful loans to at-risk countries a standard valuation was carried out equal to that calculated for performing loans, given the smallness of the exposure. A flat-rate valuation was carried out for performing loans by applying the average percentage of the estimated expected loss on the Bank's loan portfolio, observed over a time horizon of 4.5 years, and divided according to the sector to which they belong: – Government and Public Administration, – Financial companies, – Non-financial companies, – Private individuals, – Others. In particular, for each type of counterparty, a transition matrix was constructed and then the relative PD (Probability of default) was determined, and the average LGD (Loss given default) of the bank was recorded, again based on observation of the data over the aforementioned time period (4.5 years).

Table 4.6 – Breakdown of “Loans to customers” based on residual life

MATURITY	31/12/2020	31/12/2019
At sight	66.693.374	115.887.625
Up to 3 months	20.717.355	35.653.124
From over 3 months to 6 months	10.571.960	16.710.505
From over 6 months to 1 year	15.682.295	20.639.826
From over 1 year to 18 months	14.174.544	17.558.946
From over 18 months to 2 years	15.540.346	15.885.579
From over 2 years to 5 years	68.692.773	74.502.527
Over 5 years	114.088.638	81.425.825
Maturity not attributed	47.549.151	50.277.380
Total	373.710.435	428.541.337

The residual life obtained from loans gross of 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.

Table 4.7 – Breakdown of “Loans to customers” (net values) by business sector

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
Public administrations	11.401.257	13.812.553	-2.411.296	-17,46%
Financial companies other than credit institutions	10.010.340	12.409.724	-2.399.384	-19,33%
• Monetary financial institutions	-	-	-	-
• Investment funds other than monetary market funds	1.180.911	2.696.565	-1.515.654	-56,21%
• Other financial institutions	8.707.064	9.588.767	-881.703	-9,20%
• Insurance companies	122.365	124.392	-2.027	-1,63%
• Pension funds	-	-	-	-
Non-financial companies	238.465.056	269.654.561	-31.189.505	-11,57%
of which subjects canceled from the Register of Authorized subjects	-	-	-	-
• Industry	104.706.289	123.038.017	-18.331.728	-14,90%
• Construction	15.344.649	16.862.071	-1.517.422	-9,00%
• Services	113.769.405	124.169.771	-10.400.366	-8,38%
• Other non-financial companies	4.644.713	5.584.702	-939.989	-16,83%
Families and non-profit institutions serving families	113.833.782	132.664.499	-18.830.717	-14,19%
• Consumer and producer families	113.629.651	132.417.882	-18.788.231	-14,19%
• Non-profit institutions serving families	204.131	246.617	-42.486	-17,23%
Other	-	-	-	-
Total	373.710.435	428.541.337	-54.830.902	-12,79%

Summary of loans to members of the respective administrative, management or control bodies.

	Agreed	Used
Auditors	1.323.714	1.265.162
Concilers	4.326.463	7.050.465
Total	5.650.177	8.315.627

It should also be noted that the transactions carried out by the company with related parties were concluded at normal market conditions as per the controls carried out by the Internal Audit unit and upon request during the preliminary investigation phase of the Loans unit.

5. Bonds and other debt financial instruments and shares, accrued and other capital financial instruments (asset items: 50–60)

Table 5.1 – Breakdown of investment and trading financial instruments

ITEMS / VALUES	31/12/2020	
	Fixed assets	Non fixed assets
Bonds and other debt financial instruments	22.002.461	61.748.311
a) Of public issuers	17.646.765	59.163.878
b) Credit institutions	2.812.716	2.584.433
c) Financial companies other than credit institutions	–	–
d) Other issuers	1.542.981	–
Shares, stocks and other capital financial instruments	7.900.392	19.015.331
a) Loan Management Shield	–	3.347.814
b) Tower Credit Opportunities LT	7.900.392	–
c) Fondo Odisseo	–	10.657.140
e) Other funds	–	5.010.378
Total	29.902.853	80.763.642

The securities in the investment portfolio are recorded at their purchase value or market price upon their transfer to the investment portfolio, with subsequent recording of the accrued amounts of the positive or negative differences between the above value and the redemption value as at maturity of the securities under the item “Bonds and other debt financial instruments”.

Trading securities are recorded at the market value expressed by the monthly average of the prices recorded in December 2019, under item “Bonds and other debt financial instruments”.

The item “shares, accrued and other capital financial instruments”, is composed of investment securities:

- from the Tower Credit Opportunities PLC Fund. The Tower Credit Opportunities PLC fund will be dedicated to supporting the growth of Italian SMEs, financing investment programs, extraordinary finance operations and interventions in support of the financial structure.

The item “shares, accrued and other capital financial instruments” is composed of trading securities:

- the share of the fund from the transfer of credits coming from the compulsory liquidation of Credito Sammarinese Spa, as a result of the agreement reached between the banks adhering to the block sale of legal relations signed in October 2011, obtaining the tax benefits as per Law no. 169 of 11 October 2011. The market value of the fund, available as

of 31/12/2020, is equal to € 3,347,814 for which BAC recorded a capital gain of € 55,860 during the year, reclassified under other assets in the item “temporary differences of the accrued loan management fund” as per the indication of the Supervisory Authority with letter Prot. 14/2288 of 13/03/2014, which item is equal to € 7,550,186.

- From the Fondo Odisseo shares acquired in 2019, as a result of the sale of legal relations in block of Protected Collection and Employment of Banca Nazionale Sammarinese (formerly Credito Industriale Sammarinese) subject to banking resolution pursuant to Law no.102 of 14 June 2019, the finalization of which took place through two closings, of which the 1st finalized on 16/09/2019 with which BAC assumed Protected Reports for €25,452,429, accepting and acquiring 122 units of the Fondo Odisseo for a total of 12,209,728 (see Part A Valuation Criteria – Section 2 The Acquisition of BNS Assets and Liabilities). The Fund was adjusted to the NAV (Net Asset Value) closed as of 31/12/2020 by depreciating it by a total of € 1,552,589; the capital losses as of 31/12/2019 (€ 1,412,953) and 31/12/2020 (€ 139,635) were accounted for in other assets as a tax credit in accordance with Decree Law no. 72 of 27 June 2013.
- In this regard, it should be noted that Law no. 223 of 23/12/2020, art.7, limited the maximum amount of the benefits of the above decrees, definitively, on the basis of the statements of the mutual funds as of 31 December 2020.

Table 5.2 – Breakdown of “Investment financial instruments”

ITEMS / VALUES	31/12/2020			31/12/2019		
	Purchase price	Book value	Fair Value	purchase price	Book value	Fair Value
1. Financial debt instruments	21.882.348	22.002.461	22.706.670	36.403.724	36.391.477	38.075.110
1.1 Bonds	21.882.348	22.002.461	22.706.670	36.403.724	36.391.477	38.075.110
• Listed	16.838.788	16.935.130	17.783.384	36.403.724	36.391.477	38.075.110
• Not listed	5.043.560	5.067.332	4.923.286	-	-	-
1.2 Other financial debt instruments	-	-	-	-	-	-
• Listed	-	-	-	-	-	-
• Not listed	-	-	-	-	-	-
2. Equity financial instruments	7.900.392	7.900.392	7.046.756	6.124.248	6.124.248	5.466.606
• Listed	-	-	-	-	-	-
• Not listed	7.900.392	7.900.392	7.046.756	6.124.248	6.124.248	5.466.606
Total	29.782.740	29.902.853	29.753.425	42.527.972	42.515.726	43.541.716

Table 5.3 – Annual changes in investment financial instruments

DESCRIPTION	31/12/2020	31/12/2019
Opening balance	42.515.726	36.853.191
Increases	28.028.755	5.835.683
1. Purchases	6.103.555	5.657.854
of which debt financial instruments	4.327.411	4.952.489
2. Value recoveries	-	-
3. Transfers from the investment portfolio	21.813.183	-
4. Other increases	112.017	177.829
Decreases	40.641.627	173.148
1. Sales	-	-
of which debt financial instruments	-	-
2. Refunds	-	-
3. Value adjustments	-	-
of which lasting devaluations	-	-
4. Transfers to the investment portfolio	40.382.959	-
5. Other decreases	258.668	173.148
Closing balance	29.902.853	42.515.726

Increases for purchases include:

- the subscriptions of an additional four installments of the Tower Credit Opportunities Fund;
- the purchase of two bonds with a nominal value of € 3,000,000 issued by private individuals and banks;
- the purchase of BNS bonds for € 1,220,760, in substitution of some employment relationships at the conclusion of the agreement for the Sale of the legal relations in Block of Banca Nazionale Sammarinese (formerly Credito Industriale Sammarinese S.p.A. in A.S.) together with two other Credit Institutions, as fully reported in Section 2.

Decreases include discards of fixed assets.

In consideration of the exceptional situation created by the COVID-19 health emergency, the Supervisory Authority provided for measures to support the financial stability of the San Marino system in 2020; on the basis of the provisions of the same with Prot.20 /3582 of 6 April 2020, during the first half of the year the Bank, with a specific resolution of the Board of Directors, transferred nine securities from the free real estate portfolio to the fixed asset portfolio for a book value of € 21,634,611 (item 3. Table 5.3.) recording a capital gain of € 244,707.

Subsequently, with Prot.20/13417 of 22/12/2020, CBSM allowed the transfer of financial instruments from the fixed securities portfolio to the free portfolio or sale on the market following the persistent uncertainties of the future prospects of the financial system, again due to the pandemic. This possibility obliged the Bank to allocate the proceeds deriving from the transfer or sale of these securities to a capital reserve, which can only be used to increase the share capital; the Bank will only be bound to distribute the profits recorded (starting from the year in which the reallocation took place) after allocating an amount equal to the capital gains to the aforementioned reserve:

- recorded in the financial statements for the year in which the reallocation took place (if the sale did not take place) or,
- generated from the sale of the security on the market during the financial year in which the reallocation took place.

The Bank, with a specific Board resolution, transferred on 29/12/2020 the investment securities (item 4. Table 5.3) detailed in the table below. The transfer transactions generated a capital gain of € 2,839,576, which will be allocated to a capital reserve as indicated in the aforementioned Prot.20/13417. As net income for 2020 was less than the capital gain recorded, the remaining amount will be allocated to a reserve in future years, up to the amount of the same.

The above capital gain, resulting from the transfer of the above securities for € 2,839,576, was reclassified to extraordinary proceeds from investment securities (item 190 of the profit and loss account), in line with the provisions of CBSM Regulation 2016/02.

IS in	DESCRIPTION	Quantity	Average 29/12/2020	CTV to Px Average 29/12/2020	Gains / losses vs Average 29/12/2020	Px of Balance sheet 29/12/2020	CTV at Px of Balance sheet 29/12/2020	Trading scrap 29/12/2020
ES00000127A2	SPAIN 1,95% 15/30 EUR	5.000.000	118,728	5.936.400	904.185	100,644	5.030.908	-4.657,04
ES00000126Z1	SPAIN 1,6% 15/25 EUR	5.000.000	109,228	5.461.400	398.452	101,259	5.060.412	-17.010,55
IT0005403396	BTP-01AG30 0,95% 20/30 EUR	4.000.000	104,329	4.173.160	206.600	99,164	3.964.967	1.171,92
IT0005383309	BTP-01AP30 1,35% 19/30 EUR	3.000.000	108,101	3.243.030	133.404	103,654	3.109.625	-8.854,57
IT0005282527	BTP-15NV24 1,45% 17/24 EUR	1.758.000	106,485	1.872.006	125.595	99,341	1.745.335	1.901,53
IT0005210650	BTP-01DC26 1,25% 16/26 EUR	4.000.000	106,938	4.277.520	110.102	104,185	4.167.418	-20.221,72
IT0005094088	BTP-01MZ32 1,65% 15/32	4.348.000	110,806	4.817.845	507.405	99,136	4.309.168	2.079,28
IT0005170839	BTP-01GN26 1,60% 16/26 EUR	1.372.000	108,613	1.490.170	91.279	101,960	1.398.891	-2.497,04
IT0005327306	BTP-15MG25 1,45% 18/25 EUR	3.000.000	106,910	3.207.300	62.199	104,837	3.144.767	-25.039,15
IT0005390874	BTP-15GE27 0,85% 19/27 EUR	1.000.000	104,378	1.043.780	31.836	101,194	1.011.789	-1.592,63
XS2106861771	MEDIOBANCA 1,125% 20/25 EUR	2.500.000	102,323	2.558.075	26.176	101,276	2.531.170	-6.109,63
IT0005090318	BTP-01GN25 1,50% 15/25 EUR	4.804.000	107,220	5.150.849	242.341	102,175	4.908.508	-8.396,07
		39.782.000		43.231.535	2.839.576		40.382.959	-89.225,67

Table 5.4 – Breakdown of “Trading financial instruments”

ITEMS / VALUES	31/12/2020	31/12/2019
	Fair Value	Fair Value
1. Financial debt instruments	61.748.311	9.154.456
1.1 Bonds	61.748.311	9.154.456
• Listed	61.748.311	9.154.456
• Not listed	–	–
1.2 Other financial debt instruments	–	–
• Listed	–	–
• Not listed	–	–
2. Equity financial instruments	19.015.331	14.088.728
• Listed	–	–
• Not listed	19.015.331	14.088.728
Total	80.763.642	23.243.184

The free portfolio was increased, in addition to the transfers of investment securities described above, through further purchases aimed at diversifying cash investments and generating coupon flows, specifically the following were purchased:

- among the equity securities: three funds issued by the subsidiary undertaking, BAC Investments SG Spa, and five international mutual funds, primarily governmental ones;
- eight government-issued bonds and one bank-issued bond.

The sales of government-issued securities made it possible to take advantage of market opportunities, generating capital gains on disposal.

The portfolio also consists of:

- the equity investment in the alternative closed-end mutual fund Loan Management Scudo Investimenti, subscribed at the end of December 2012,
- shares in the alternative closed-end mutual Fondo Odisseo, already described above,
- bonds issued by the Italian Republic that can be readily liquidated,
- and investment funds.

Table 5.5 – Annual changes in “Trading financial instruments”

DESCRIPTION	31/12/2020	31/12/2019
Opening balance	23.243.184	17.524.550
Increases	85.919.894	51.439.446
1. Purchases	41.038.855	50.372.995
of which debt financial instruments	35.970.650	43.176.287
of which equity financial instruments	5.068.205	12.464.864
2. Value recoveries and revaluations	3.650.391	13.540
3. Transfers from the investment portfolio	40.382.959	-
4. Other increases	847.689	1.052.911
Decreases	28.399.436	45.720.812
1. Sales and refunds	6.368.122	43.546.229
of which debt financial instruments	6.324.100	43.176.287
of which equity financial instruments	44.022	369.942
2. Value adjustments and write-downs	198.961	2.138.534
3. Transfers to the investment portfolio	21.813.183	-
4. Other decreases	19.171	36.048
Closing balance	80.763.642	23.243.184

6. Shareholdings (asset items: 70–80)

Table 6.1 – Shareholdings and investments in group companies

COMPANY NAME	Legal status	Registered office	Activities carried out	Share capital	Net equity*	Profit/Loss	Share capital %	Book value (B)	Fair Value	Share of net equity (A)	Comparisons (a-b)
Group companies											
Bac Trustee	S.p.a.	Via Tre Settembre n° 316 – 47891 Dogana (R.S.M.)	Non-financial company	100.000	309.596	18.567	100,00%	167.695	-	309.596	141.901
BAC Life	S.p.a.	Via Tre Settembre n° 316 – 47891 Dogana (R.S.M.)	Insurance Activities	6.000.000	7.013.251	433.849	100,00%	6.622.787	-	7.013.251	390.464
Bac Real Estate	S.r.l.	Via Tre Settembre n° 316 – 47891 Dogana (R.S.M.)	Real estate trading activities	75.000	406.481	-8.519	100,00%	406.481	-	406.481	-
BAC Investments SG	S.p.a.	Via Tre Settembre n° 316 – 47891 Dogana (R.S.M.)	Other Financial Institutions	500.000	559.875	46.973	100,00%	517.599	-	559.875	42.276
Associated companies											
Società Servizi Informatici Sammarinese S.S.I.S	S.p.a.	Strada Cardio, 22 47899 Serravalle (R.S.M.)	Automatic data processing services	500.000	659.004	8.840	50,00%	329.502	-	329.502	-
Centro Servizi	S.r.l.	Via XXV Marzo, 58 - 47895 Domagnano (R.S.M.)	Automatic data processing services	74.886	432.132	4.296	33,33%	333.333	-	144.030	-189.304
Other investee companies											
Banca Centrale della Repubblica di San Marino	S.p.a.	Via del Voltone, 120 47890 San Marino (R.S.M)	Banking Activities	12.911.425	60.798.852	-	5,00%	4.059.241	-	3.039.943	-1.019.299
Camera di Commercio	S.p.a.	Strada di Paderna, 2 47895 Domagnano (R.S.M.)	Services	77.469	839.729	123.032	1,33%	1.033	-	11.168	10.135

It should be noted that the net equity valuations shown in the table above refer to the respective companies' data as of 31/12/2020, which are already available for all companies with a holding percentage of more than 50%.

Investee companies

The shareholding in San Marino Central Bank (previously San Marino Credit Institution) remained unchanged. It accounts for 5% of the share capital of the associate bank and is represented by 125 shares of € 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 31 December 2013.

The credit balance of the revaluation was necessarily recorded in a revaluation equity reserve equal to €3,004,030.

The interest held in S.S.I.S. Spa (Società Sistemi Informatici Sammarinese) remains unchanged with respect to the previous year and represents 50% of the capital of the subsidiary. BAC is a founding partner together with Cassa di Risparmio della Repubblica di San Marino, which holds the other 50% of the capital; this equity investment was valued at 2020 equity.

This entailed a revaluation of € 4,420 for profit for 2020 allocated to reserves, as per the financial statements approved at the shareholders' meeting of 20 April 2021, which was used to increase the revaluation reserve accrued in previous years.

Our investment in the Chamber of Commerce of San Marino Republic (previously Agency for Economic Promotion and Development) remains unchanged and is represented by 4 shares of 300 total shares constituting the Share Capital with a percentage of 1.33%.

Banca Agricola Commerciale also holds a 33.33% stake in Centro Servizi Srl, acquired in 2016 at 25%, whose main activity consists in the exercise of IT activities, with particular reference to production, development, maintenance and marketing of application software, management of services related to the use of electronic payment instruments and in the trade and rental of hardware; being also the exclusive technology manager of the SMaC platform.

Group shareholdings

In 2020 the company BAC Investments SG Spa, in its third year of activity, closed with a profit of € 46,973, allocating it to reserves, as per the financial statements approved by the Shareholders' Meeting on 08/06/2021. The Bank has, therefore, aligned the value of the equity investment with the Shareholders' Equity, revaluing it and recording the contra-entry to the revaluation reserve. The company, which manages eight open-ended mutual funds, increased its assets under management and posted good performances across all funds.

The Boards of Directors of BAC Fiduciaria Spa and the Parent Company BAC, at their meetings on 18 December 2019 and 14 January 2020 respectively, resolved to transfer the mandates of BAC Fiduciaria Spa in favor of the Parent Company, in light of the rapid evolution of the reference market and the related regulatory rules, having assessed the progressive reduction in the interest shown by clients for the specific product and the increased interest in the institution of the fiduciary trust, with the maintenance by the Subsidiary of only the activity of Professional Trustee, qualifying its operations as Trustee Company and assuming the new company name of BAC Trustee Spa. This circumstance has enabled the transfer of all the activities relating to the management of trustee mandates to BAC en bloc and the renunciation by the Subsidiary of the related reserved activity. The share capital was reduced to €100,000, divided into 100 shares with a par value of €1,000 each. On 9 June 2021 the Shareholders' Meeting resolved, following the amendment to the articles of association approved as specified above, to distribute €125,192 from the legal reserve and to distribute 90% of net income for 2020 to BAC, the sole shareholder.

In the case of BAC Real Estate Srl, a revaluation of € 11,741 was carried out to cover the 2019 loss, in addition to € 91,482, equal to the algebraic sum of the recapitalization for € 100,000 and the loss realized in 2020 for € 8,519, pursuant to the Board resolution of 27/11/2020 and the approval of the 2020 financial statements by the Shareholders' Meeting held on 09/06/2021, respectively.

The shareholding in BAC Life Spa was also adjusted to the shareholders' equity of the subsidiary based on the results for 2020. On 08/06/2021, the Shareholders' Meeting resolved to distribute 90% of the profit to the sole shareholder BAC, which will be paid in cash in 2021 for €390,464, with allocation of the remaining 10% to reserves.

The following tables provide information on the aggregate movements regarding the shareholdings held.

Table 6.2 – Breakdown of item 70 “Shareholdings”

ITEMS / VALUES	31/12/2020			31/12/2019		
	Purchase price	Book value	Fair Value	Purchase price	Book value	Fair Value
In credit institutions	645.571	4.059.241	-	645.571	4.059.241	-
• Listed	-	-	-	-	-	-
• Not listed	645.571	4.059.241	-	645.571	4.059.241	-
In other financial firms	-	-	-	-	-	-
• Listed	-	-	-	-	-	-
• Not listed	-	-	-	-	-	-
Others	584.363	663.868	-	584.363	659.448	-
• Listed	-	-	-	-	-	-
• Not listed	584.363	663.868	-	584.363	659.448	-
Total	1.229.935	4.723.110	-	1.229.935	4.718.689	-

Table 6.3 – Breakdown and changes in item 80 “Shareholdings in group companies”

ITEMS / VALUES	31/12/2020			31/12/2019		
	Purchase price	Book value	Fair Value	Purchase price	Book value	Fair Value
In credit institutions	-	-	-	-	-	-
• Listed	-	-	-	-	-	-
• Not listed	-	-	-	-	-	-
In other financial firms	6.600.000	7.308.080	-	7.000.000	7.783.333	-
• Listed	-	-	-	-	-	-
• Not listed	6.600.000	7.308.080	-	7.000.000	7.783.333	-
Others	75.000	406.481	-	75.000	303.259	-
• Listed	-	-	-	-	-	-
• Not listed	75.000	406.481	-	75.000	303.259	-
Total	6.675.000	7.714.561	-	7.075.000	8.086.592	-

Table 6.4 – Annual changes in item 70 “Shareholdings”

DESCRIPTION	31/12/2020
A) Opening balance	4.718.689
B) Increases	4.421
B1. Purchases	-
B2. Value recoveries	-
B3. Revaluations	4.421
B4. Other increases	-
C) Decreases	-
C1. Sales	-
C2. Value adjustments	-
of which lasting devaluations	-
C3. Other decreases	-
D) Closing balance	4.723.110
E) Total revaluations	-
F) Total adjustments	-

Table 6.5 – Annual changes in item 80 “Shareholdings in group companies”

DESCRIPTION	31/12/2020
A) Opening balance	8.086.592
B) Increases	151.305
B1. Purchases	-
B2. Value recoveries	-
B3. Revaluations	151.305
B4. Other increases	-
C) Decreases	523.335
C1. Sales	-
C2. Value adjustments	-
of which lasting devaluations	-
C3. Other decreases	523.335
D) Closing balance	7.714.561

As illustrated above, item “B2. Writebacks” includes the revaluation of the subsidiaries BAC Life Spa, Bac Fiduciaria S.p.A.

The following tables show details of the shareholdings of the Bank Group.

BAC Trustee Spa	31/12/2020	Profit allocation 2020	Net equity 31/12/2020
Share capital	100.000	-	100.000
Legal reserve	191.029	-125.192	65.837
Other reserves	-	1.857	1.857
To shareholders	-	16.710	-
Profit for the year	18.567	-18.567	-
Total	309.596	-125.192	167.694

BAC Life Spa	31/12/2020	Profit allocation 2020	Net equity 31/12/2020
Share capital	6.000.000	-	6.000.000
Legal reserve	492.606	43.385	535.991
Other reserves	86.796	-	86.796
To shareholders	-	390.464	-
Profit for the year	433.849	-433.849	-
Total	7.013.251	-	6.622.787

BAC Real Estate Srl	31/12/2020	Profit allocation 2020	Net equity 31/12/2020
Share capital	75.000	-	75.000
Legal reserve	-	-	-
Other reserves	240.000	100.000	340.000
To shareholders	-	-	-
Profit for the year	-8.519	-	-8.519
Total	306.481	100.000	406.481

Bac Investments SG Spa	31/12/2020	Profit allocation 2020	Net equity 31/12/2020
Share capital	500.000	-	500.000
Legal reserve	1.290	-	1.290
Other reserves	11.612	4.697	16.309
To shareholders	-	42.276	-
Profit for the year	46.973	-46.973	-
Total	559.875	-	517.599

Table 6.6 – Assets and liabilities with investee companies (item 70)

DESCRIPTION	31/12/2020	31/12/2019
Assets	117.687.189	91.998.131
• Loans to credit institutions	116.993.426	91.247.546
of which subordinates	-	-
of which associated companies	-	-
of which subordinates	-	-
• Loans to other financial companies	-	-
of which subordinates	-	-
of which associated companies	-	-
of which subordinates	-	-
• Loans to other companies	693.764	750.585
of which subordinates	-	-
of which associated companies	-	-
of which subordinates	-	-
• Bonds and other debt financial instruments	-	-
of which subordinates	-	-
of which associated companies	-	-
of which subordinates	-	-
Liabilities	136.097	121.550
• Amounts due to credit institutions	-	-
of which associated companies	-	-
• Amounts due to other companies	136.097	121.550
of which associated companies	-	-
• Payables represented by financial instruments	-	-
of which associated companies	-	-
• Subordinate liabilities	-	-
of which associated companies	-	-
Guarantees and commitments	-	-
• Guarantees given	-	-
• Commitments	-	-

Loans to banks amounting to € 116,993,426 are made up of, respectively, the current accounts held with the Central Bank for € 82,674,701, and € 32,049,309 made up, again with the above-mentioned counterparty, for the ROB (Compulsory Reserve) term deposit and € 2,269,415 for other deposits made with the Supervisory Authority; while € 693,764 are loans for real estate and securities leases stipulated with the associated company SSIS. Liabilities include the balance of the current account opened with the above-mentioned SSIS S.p.a. for € 134,750 and the balance of the current account opened with the subsidiary company Centro Servizi Srl for € 1,347.

Table 6.7 – Assets and liabilities with investee companies belonging to the bank group (item 80)

DESCRIPTION	31/12/2020	31/12/2019
Assets	12.293.734	12.072.298
• Loans to credit institutions	-	-
of which subordinates	-	-
• Loans to other financial companies	-	-
of which subordinates	-	-
• Loans to other companies	12.293.734	12.072.298
of which subordinates	-	-
• Bonds and other debt financial instruments	-	-
of which subordinates	-	-
Liabilities	2.466.740	3.901.554
• Amounts due to credit institutions	-	-
• Amounts due to other companies	2.256.740	3.691.554
• Payables represented by financial instruments	210.000	210.000
• Subordinate liabilities	-	-
Guarantees and commitments	-	-
• Guarantees given	4.000	4.000
• Commitments	-	-

The item: “Loans to other companies” represents SAL leasing contracts entered into by Bac Real Estate Srl. The item: “Amounts due to other companies” consists of current account balances of BAC Life Spa for € 1,562,747, of SG BAC Investment Spa for € 585,717, of BAC Real Estate Srl for € 57,114 and of Bac Trustee Spa for € 51,161, while the item “Amounts represented by financial instruments” for € 210,000 consists of Certificates of Deposit signed by BAC Trustee Spa. The endorsement loan of € 4,000 was granted to BAC Real Estate Srl.

7. Intangible fixed assets (asset item 90)

Table 7.1 – Description and movements of item 90 “intangible fixed assets”

ANNUAL CHANGES	31/12/2020	Financial leasing	of which assets under construction	Assets awaiting lease termination	of which due to default by the tenant	Assets available from debt collection	of which assets available for credit extinction by means of a settlement agreement	Goodwill	Capital expenditure	Other intangible fixed assets
A. Opening balance	1.513.963	417.187	-	-	-	-	-	-	-	1.096.776
B. Increase	261.913	147.436	-	-	-	-	-	-	-	114.477
B1. Purchases	261.815	147.337	-	-	-	-	-	-	-	114.477
B2. Value recoveries	-	-	-	-	-	-	-	-	-	-
of which by creditworthiness	-	-	-	-	-	-	-	-	-	-
B3. Revaluations	-	-	-	-	-	-	-	-	-	-
B4. Other increases	98	98	-	-	-	-	-	-	-	-
C. Decreases	239.973	45.204	-	-	-	-	-	-	-	194.769
C1. Sales	-	-	-	-	-	-	-	-	-	-
C2. Value adjustments	239.973	45.204	-	-	-	-	-	-	-	194.769
of which depreciation and amortization	236.426	41.657	-	-	-	-	-	-	-	194.769
of which lasting devaluations	-	-	-	-	-	-	-	-	-	-
of which by creditworthiness	3.547	3.547	-	-	-	-	-	-	-	-
C3. Other decreases	-	-	-	-	-	-	-	-	-	-
D. Closing balance	1.535.903	519.419	-	-	-	-	-	-	-	1.016.484

Intangible fixed assets consist of: software purchase, refurbishment of leased facilities, studies, research, training and long-term costs for Merger. Software is valued at cost price, including all analysis, installation and training costs. 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 were calculated on the basis of their residual life.

The bank acquired the permit to construct an underpass to be used by the institute for thirty years from the Eccellentissima Camera; 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.

GRANT HOLDERS' RIGHTS AND WORKS UNDER PASSAGE	2020	2019
Opening balance at purchase cost	1.254.395	1.254.395
Expenses incurred during the year	-	-
Closing balance at historical cost	1.254.395	1.254.395
To deduct depreciation fund	-493.865	-452.052
of which depreciation charge for the year	41.813	-41.813
Closing balance	760.529	802.343

Table 7.2 – Breakdown of item 90 “Intangible fixed assets”

ITEMS / VALUES	31/12/2020			31/12/2019		
	Purchase price / Production cost	Book value	Fair Value	Purchase price / Production cost	Book value	Fair Value
Financial leasing	564.524	519.419	-	417.187	417.187	-
of which assets under construction	-	-	-	-	-	-
Assets awaiting lease termination	-	-	-	-	-	-
of which due to default by the tenant	-	-	-	-	-	-
Assets available from debt collection	-	-	-	-	-	-
of which assets available for credit extinction by means of a settlement agreement	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Start-up costs	-	-	-	-	-	-
Other intangible fixed assets	2.461.467	1.016.484	-	3.167.728	1.096.776	-
Total	3.025.991	1.535.903	-	3.584.915	1.513.963	-

8. Tangible fixed assets (assets item 100)

Table 8.1 – Movements and description of item 90 “Tangible fixed assets”

ANNUAL CHANGES	31/12/2020	Financial leasing	of which assets under construction	Assets awaiting lease termination	of which due to default by the tenant	Assets available from debt collection	of which assets available for credit extinction by means of a settlement agreement	Lands and buildings	Other intangible fixed assets
A. Opening balance	171.808.595	74.254.276	10.833.032	2.245.789	2.245.789	67.920.954	67.920.954	27.033.194	354.382
B. Increase	15.903.350	9.406.465	1.946.986	71.823	71.823	2.916.734	2.916.734	3.349.673	158.656
B1. Purchases	9.196.627	6.844.666	782.372	67.914	67.914	2.114.164	2.114.164	11.227	158.656
B2. Value recovery	-	-	-	-	-	-	-	-	-
of which by creditworthiness	-	-	-	-	-	-	-	-	-
B3. Revaluations	3.338.446	-	-	-	-	-	-	3.338.446	-
B4. Other increases	3.368.277	2.561.798	1.164.614	3.909	3.909	802.570	802.570	-	-
C. Decreases	22.156.098	17.949.625	2.143.597	88.511	88.511	1.620.858	1.620.858	2.323.082	174.023
C1. Sales	5.760.112	5.267.705	2.079.397	64.107	64.107	428.300	428.300	-	-
C2. Value adjustments	12.342.621	8.746.500	64.199	24.403	24.403	1.074.613	1.074.613	2.323.082	174.023
of which depreciation and amortization	9.799.980	8.682.300	-	-	-	-	-	943.657	174.023
of which lasting devaluations	2.463.436	9.000	9.000	398	398	1.074.613	1.074.613	1.379.425	-
of which by creditworthiness	79.205	55.199	55.199	24.006	24.006	-	-	-	-
C3. Other decreases	4.053.365	3.935.420	-	-	-	117.945	117.945	-	-
D. Closing balance	165.555.847	65.711.116	10.636.421	2.229.101	2.229.101	69.216.830	69.216.830	28.059.785	339.015

Fixed assets include: furniture, safes and plants, electronic machines and vehicles. Like intangible assets, any tangible fixed assets fully amortized are recorded as zero, by reducing the asset value and its relative fund. During the year, the values of certain real estate assets were adjusted to bring them into line with updated market appraisals.

In the following table, the item “assets pending lease due to lease termination” includes the fixed assets regained by the Bank following termination of leasing contracts due to borrowers’ failure. These values are also included in the Breakdown of loans to customers, as required by the regulations on the preparation of financial statements (CBSM Regulation 2016/02). Item C (of which assets available from credit recovery) includes real estate owned for € 67,204,646 and movable assets for € 320,940 acquired over the years, following a waiver agreement and write-off of loans from insolvent customers classified as non-performing; these are non-operating assets and therefore they are not subject to depreciation; we hereby specify that these fixed assets are managed by a dedicated unit that takes care of their maintenance, relocation and sale.

Table 8.2 – Breakdown of item 100 “Tangible fixed assets”

ITEMS / VALUES	31/12/2020			31/12/2019		
	Purchase price / Production cost	Book value	Fair Value	Purchase price / Production cost	Book value	Fair Value
Financial leasing	137.348.718	65.711.116	-	161.907.955	74.254.276	-
of which assets under construction	12.599.316	10.636.420	-	15.467.675	10.833.031	-
Assets awaiting lease termination	9.324.106	2.229.101	-	6.943.870	2.245.789	-
of which due to default by the tenant	9.324.106	2.229.101	-	6.943.870	2.245.789	-
Assets available from debt collection	-	69.216.830	69.216.830	-	67.920.955	67.920.955
of which assets available for credit extinction by means of a settlement agreement	-	69.216.830	69.216.830	-	67.920.955	67.920.955
Lands and Buildings	42.008.775	28.059.785	-	39.946.523	27.033.194	-
Other tangible fixed assets	1.147.976	339.015	-	1.974.646	354.382	-
Total	189.829.575	165.555.847	69.216.830	210.772.993	171.808.596	67.920.955

Table 8.3 – Assets acquired from credit recovery

ITEMS / VALUES	31/12/2020		31/12/2019	
	Book value	Fair Value	Book value	Fair Value
A. Assets acquired from credit recovery deriving from financial leasing contracts	68.764.112	68.764.112	67.525.586	67.525.586
A1. Real estate	68.542.521	68.542.521	67.204.646	67.204.646
of which for residential use	21.227.220	21.227.220	19.051.036	19.051.036
of which for non-residential use	47.315.301	47.315.301	48.153.610	48.153.610
A2. Movable property	221.591	221.591	320.940	320.940
of which vehicles	-	-	-	-
of which naval aircraft	-	-	-	-
of which other	221.591	221.591	320.940	320.940
B. Assets acquired from credit recovery deriving from other loan agreements	452.718	452.718	395.368	395.368
B1. Real estate	452.718	452.718	395.368	395.368
of which for residential use	-	-	-	-
of which for non-residential use	452.718	452.718	395.368	395.368
B2. Movable property	-	-	-	-
of which vehicles	-	-	-	-
of which naval aircraft	-	-	-	-
of which other	-	-	-	-
Total	69.216.830	69.216.830	67.920.954	67.920.954

Assets acquired from credit recovery are booked in the balance sheet assets, following a settlement agreement with the customer, at the estimated appraisal value at the time of the agreement.

Table 8.4 – Leasing to credit institutions and customers (residual principal and overdue rents)

CATEGORIES / VALUES	Totals 31/12/2020	of which leasing to credit institutions	of which leasing to customers	Total 31/12/2019	of which leasing to credit institutions	of which leasing to customers
Leasing – Total	71.337.489	–	71.337.489	80.142.336	–	80.142.336
A. of which for overdue fees	2.877.853	–	2.877.853	3.225.084	–	3.225.084
B. of which Residual principal credit	68.459.636	–	68.459.636	76.917.252	–	76.917.252
B1. Intangible fixed assets	–	–	–	–	–	–
• Financial leasing	519.419	–	519.419	417.187	–	417.187
• Assets awaiting lease termination	–	–	–	–	–	–
B2. Tangible fixed assets	–	–	–	–	–	–
• Financial leasing	65.711.116	–	65.711.116	74.254.276	–	74.254.276
• Assets awaiting lease termination	2.229.101	–	2.229.101	2.245.789	–	2.245.789

9. Subscribed and unpaid capital (asset item 110)

Table 9.1 – Breakdown of item 110 “Subscribed and unpaid capital”

Data not present.

10. Transactions on own shares (asset item 120)

Table 10.1 – Breakdown of company shares

DESCRIPTION	Number of shares	% on capital	Nominal value	Trading amount
Values as of 31/12/2019	553	0,07%	14.378	14.378
Purchases	–	–	–	–
Sales	–	–	–	–
Values as of 31/12/2020	553	0,07%	14.378	14.378

Profit / loss

Profit / loss from trading on treasury shares during the year

–

Own shares are entered at their face value of 26 each, for a total counter-value equal to € 14,378.

11. Other Assets (asset item 130)

Table 11.1 – Breakdown of item 130 “Other Assets”

OTHER ASSETS	31/12/2020	31/12/2019
Guarantee margins	-	-
Premiums paid for options	-	-
Other activities	129.920.007	138.736.791
of which various debtors:	5.272.981	5.040.478
• Administrative expenses	935.200	460.141
• Interest, commission income and dividends, accrued and not paid-in	13.046	12.425
• Security deposits	600.000	600.000
• Coded Customers	3.533.993	3.717.986
• ATM withdrawals suspense account	3.600	13.370
• Advances to Suppliers	-	127.521
• Transitional customer positions	87.141	109.035
• Future contribution of BACRealEstate Srl share capital increase	100.000	-
of which other	124.647.026	133.696.312
• Advances paid to the tax authorities for IGR for which compensation is requested	50.981	432.918
• RID management of commercial receipts	731.721	671.158
• Temporary tax differences in the units of loan management fund	7.550.186	7.606.047
• Technical accounts	933.368	817.425
• Correspondent bank bills	12.356.787	12.622.376
• Bills from s.b.f. customers	53.091.749	54.303.061
• Bills from customers s.b.f. cheques	4.615.814	6.799.551
• Customer bills after collection	2.501.118	2.755.778
• Suspense accounts – traveling consignments	1.781.046	2.300.429
• Loans from Credito Sammarinese	220.423	220.423
• Deferred tax assets	568.327	62.169
• Tax credit from Credito Sammarinese	1.013.345	1.399.501
• Credit to excellent chamber, State body interest share	317.310	348.500
• Security deposits	708.168	708.168
• Suspension of value adjustments Article 40 Law 173/2018	36.654.094	41.235.855
• Tax differences in the fondo Odisseo units	1.552.589	1.412.953
Total	129.920.007	138.736.791

The item Other Assets includes all assets that cannot be attributed to other asset items. It also includes any inventories of travelling and suspended items not attributed to the relevant accounts. As a result of the valuation at NAV of the closed-end Loan Management fund, BAC recognized a capital gain of €55,860 with respect to 31/12/2019, reclassified to other assets under “temporary tax differences of the Loan Management fund shares”, as indicated by the Supervisory Authority with letter Prot.14/2288 13/03/2014 and in compliance with Law no.74 of 27 October 2011, which amounts to €7,550,186.

In addition, as a result of the acquisition of the Fondo Odisseo, following the assumption of liabilities protected by BNS, it was written down to NAV certified as of 31/12/2020 and included among other assets under “item 3.20” as a tax credit pursuant to Decree Law no. 73 of 27 June 2013, therefore the credit at the end of 2020 amounts to € 1,552,589.

Lastly, the item: “Suspension of value adjustments pursuant to Article 40 Law 173/2018”, supported for € 36,654,094, represents the AQR adjustments suspended, by virtue of the related law, for 8/10.

More in detail, the item Other Assets includes the following sub-items:

TAX CREDITS, DEFERRED TAX ASSETS, RELATED ACCOUNTING ITEMS	31/12/2020	31/12/2019
Accounting items related to specific decrees	10.116.121	10.418.502
• Tax credit Decree Law 174/2011	1.013.345	1.399.501
• Temporary tax differences of the Loan Management Fund units	7.550.186	7.606.047
• Tax differences of the Odisseo fund units Decree Law no. 72 of 27/06/2013	1.552.589	1.412.953
Deferred tax assets	568.327	62.169
Deferred tax asset for provisions exceeding 5% Provision for risks on Loans Law 166/2013	62.169	62.169
Deferred tax asset for provisions in excess of 5% Provision for risks on Loans Law 154/2019 art.11	506.158	-
Other related accounting items	50.981	432.918
Advances paid to the tax authorities for IGR for which compensation is requested	50.981	432.918
Total	10.735.429	10.913.589

For clarity, we point out that the encoded customer entries and the bills portfolio find algebraic offset with the postings respectively identified as Other liabilities.

12. Accrued Income and prepaid expenses (asset item 140)

Table 12.1 – Breakdown of item 140 “Accrued income and prepaid expenses”

DESCRIPTION	31/12/2020	31/12/2019
Accrued income	101.096	54.679
• On loans to customers	–	729
• On loans to banks	–	2.949
• Other accrued income	101.096	51.001
Prepaid expenses	203.116	292.585
• On rents payable	20.971	40.281
• On administrative expenses	182.145	252.304
Total	304.212	347.264

Following the integration of Article IV.I.13 of CBSM Regulation 2008/02 on the preparation of financial statements the relevant accruals have been deducted from the assets and liabilities since 2014. Item 140 includes residual amounts not attributable to specific asset and liability items.

Information on the statement of assets and liabilities - Liabilities

13. Due to credit institutions (liabilities item 10)

Table 13.1 – Detail of item 10 “Amounts due to credit institutions”

DESCRIPTION	31/12/2020			31/12/2019			CHANGES	
	In euro	In foreign currency	Total	In euro	In foreign currency	Total	Amount	%
A) At sight	1.189.232	464	1.189.695	1.254.211	-	1.254.211	-64.516	-5,14%
A1. Reciprocal accounts opened for services rendered	1.189.232	-	1.189.232	1.254.211	-	1.254.211	-64.979	-5,18%
A2. Free deposits	-	-	-	-	-	-	-	-
A3. Others	-	464	-	-	-	-	-	-
B) At term or with notice	-	-	-	-	-	-	-	-
B1. Passive current accounts	-	-	-	-	-	-	-	-
B2. Term deposits	-	-	-	-	-	-	-	-
B3. Repurchasing agreements and passive carry-overs	-	-	-	-	-	-	-	-
B4. Other financing	-	-	-	-	-	-	-	-
Total	1.189.232	464	1.189.695	1.254.211	0	1.254.211	-64.516	-5,14%

Table 13.2 – Breakdown of amounts due to credit institutions based on residual life

MATURITY	31/12/2020	31/12/2019
At sight	1.189.232	1.254.211
Up to 3 months	-	-
From over 3 months to 6 months	-	-
From over 6 months to 1 year	-	-
From over 1 year to 18 months	-	-
From over 18 months to 2 years	-	-
From over 2 years to 5 years	-	-
Over 5 years	-	-
Maturity not attributed	-	-
Total	1.189.232	1.254.211

14. Amounts due to customers (liabilities item 20)

14.1 – Detail of item 20 “Amounts due to customers”

DESCRIPTION	31/12/2020			31/12/2019			CHANGES	
	In euro	In foreign currency	Total	In euro	In foreign currency	Total	Amount	%
A) At sight	425.324.902	10.488.009	435.812.911	394.797.234	7.310.718	402.107.952	33.704.959	8,38%
A1. Passive current accounts	422.581.288	10.488.009	433.069.296	391.675.140	7.310.718	398.985.858	34.083.439	8,54%
A2. Savings deposits	2.743.614	-	2.743.614	3.122.094	-	3.122.094	-378.480	-12,12%
A3. Others	-	-	-	-	-	-	-	-
B) Term or with notice	37.577.085	-	37.577.085	15.785.597	-	15.785.597	21.791.488	138,05%
B1. Term passive current accounts	-	-	-	-	-	-	-	-
B2. Restricted savings deposits	-	-	-	-	-	-	-	-
B3. Repurchase agreements and passive carry-overs	27.441.068	-	27.441.068	15.785.597	-	15.785.597	11.655.471	73,84%
B4. Other funds	10.136.017	-	10.136.017	-	-	-	10.136.017	100,00%
Total	462.901.987	10.488.009	473.389.996	410.582.831	7.310.718	417.893.549	110.992.894	26,56%

This table provides details of “item 20” of liabilities. In reclassifying amounts due to customers, internal checks were excluded, which were included in other liabilities for € 929,136 in 2020, while in 2019 they amounted to € 1,054,415. A combined reading of the tables above and below shows an increase in total customer deposits, which favored investments in sight deposits and repurchase agreements, the latter mainly with corporate investors.

Table 14.2 – Breakdown of amounts due to customers based on residual life

MATURITY	31/12/2020	31/12/2019
At sight	435.812.911	402.107.952
Up to 3 months	21.963.909	7.152.691
From over 3 months to 6 months	5.611.573	5.535.516
From over 6 months to 1 year	10.001.603	3.097.391
From over 1 year to 18 months	-	-
From over 18 months to 2 years	-	-
From over 2 years to 5 years	-	-
Over 5 years	-	-
Maturity not attributed	-	-
Total	473.389.996	417.893.549

This table shows the consistency of items 20 “Due to customers”, as represented in table 14.1, by residual life.

15. Amounts represented by financial instruments (liabilities item 30)

Table 15.1 – Breakdown of amounts represented by financial instruments

DESCRIPTION	31/12/2020			31/12/2019			CHANGES	
	In euro	In foreign currency	Total	In euro	In foreign currency	Total	Amount	%
Bonds	-	-	-	-	-	-	-	-
of which held by credit institutions	-	-	-	-	-	-	-	-
Certificates of deposit	207.233.579	-	207.233.579	235.224.575	-	235.224.575	-27.990.996	-11,90%
of which held by credit institutions	-	-	-	-	-	-	-	-
Other financial instruments	-	-	-	-	-	-	-	-
of which negotiated acceptances	-	-	-	-	-	-	-	-
of which outstanding bills	-	-	-	-	-	-	-	-
of which atypical securities	-	-	-	-	-	-	-	-
Total	207.233.579	-	207.233.579	235.224.575	-	235.224.575	-27.990.996	-11,90%

16. Other liabilities (liabilities item 40)

Table 16.1 – Breakdown of item 40 “Other liabilities”

OTHER LIABILITIES	31/12/2020	31/12/2019
Guarantee margins	-	-
Awards received for options	-	-
Cheques in circulation and similar securities	929.136	1.054.415
Others	88.455.293	93.222.123
of which various Creditors	1.538.396	1.218.084
• Salaries / Emoluments	1.494.914	1.174.485
• Items in the course of collection	13.483	13.599
• Security deposits	30.000	30.000
of which other	86.916.897	92.004.039
• Transferring bills after collection	4.174.015	4.203.405
• Transferring bills subject to collection	72.463.651	77.360.050
• Regular matches	895.013	964.779
• Payable to the Tax Office for withholding tax made	505.459	617.147
• Payable to the Tax Office for various withholdings / taxes	1.822	17.937
• Suppliers to be liquidated	2.288.624	2.246.835
• Pledged funds	25.422	26.470
• Cash / ATM surpluses	4.725	8.169
• Incoming transfers / to be sent	136.711	59.476
• Italy / R.S.M. Utilities	1.782.167	1.675.592
• ATM / pos / card transactions	208.098	329.049
• Securities Transactions	-	4.466
• Other items	738.457	613.943
• Credito Sammarinese transferred customers	158.733	158.733
• Invoices issued for leasing fees	3.533.998	3.717.987
Total	89.384.429	94.276.538

As specified when commenting on Other assets, the items Leasing fee invoices issued and Transferors of bills find algebraic offset with postings identified in Other assets, respectively.

Table 16.2 – Amounts due for e money

DESCRIPTION	2020	2019
For nominative instruments	208.098	329.049
of which rechargeable	152.136	160.315
of which non-rechargeable	55.962	168.733
For anonymous tools	-	-

This table shows the total amount of recharges on prepaid cards made by customers and used as a payment instrument, as well as ATM payments to be settled with the counterparty.

17. Accrued expenses and deferred income (liabilities item 50)

Table 17.1 – Breakdown of item 50 “Accrued expenses and deferred income”

DESCRIPTION	31/12/2020	31/12/2019
A) Accrued liabilities	1.289	4.223
A1. Accrued liabilities on derivative contracts	1.289	4.223
B) Deferred income	160.811	90.512
B1. Deferred income from foreign portfolio	4.549	7.435
B2. Deferred commission income unsecured loans	52.475	59.188
B3. Other deferred income	103.787	23.888
Total	162.100	94.734

Based on Article IV.I.13 of CBSM Regulation 2016/02 on the preparation of financial statements which requires the assets and liabilities of banks to be adjusted directly with the evidence of accrued income and expenses, item 50 includes residual amounts not attributable to specific asset and liability items.

18. Provisions (liability items 60 – 70 – 80)

Table 18.1 – Movements of item 60: “Severance”

DESCRIPTION	31/12/2020	31/12/2019
Opening balance	502.944	529.375
Increases	540.957	563.415
• Provisions	540.957	563.415
• Other increases	–	–
Decreases	521.006	589.845
• Uses	521.006	589.845
• Other decreases	–	–
Closing balance	522.895	502.944

Severance, as provided for by current legislation, is paid annually to employees. The balance therefore corresponds to the portion relating to the 2020 financial year.

Table 18.2 – Breakdown of item 70 “Reserves for risks and charges”

COMPOSITION	31/12/2020	31/12/2019
Pension funds and similar obligations	–	–
Taxes and fees fund	13.803	106.828
Other funds	918.674	999.529
• Claims and revocation fund	556.000	643.800
• Contractual increase fund	168.298	168.298
• Charity fund	13.155	23.005
• Unused holiday fund	181.222	164.426
Total	932.477	1.106.357

For the year under review, no provision for taxes and duties was made because, based on current tax legislation and the estimated calculations, BAC will not have to recognize income taxes to the tax authorities.

We specify that, as of the 2019 fiscal year, the regulations regarding provisions exceeding 5% of total Loans were revised with Law no. 154 of 3 October 2019, art.11, and the dichotomy between statutory and fiscal financial statements that, under the original Tax Law no. 166 of 16 December 2013, imposed the taxation of the provision for loan losses in excess of 5%

of loans, in stark contrast to the Regulatory Supervisory Regulations, which impose specific write-downs on impaired loans and flat-rate to cover the risk of loss. The law provided for the possibility of deducting the previously taxed surplus on a straight-line basis over five years and of deducting any loss generated by the deductions; BAC has therefore recorded deferred tax assets, moving this item to the Profit and Loss Account. While there are no disputes with the San Marino tax authorities, in December 2019 an audit was opened by the Italian tax authorities regarding the application of IRES (corporate income tax) on interest income received on mortgages and current accounts by individuals resident in Italy for the year 2013; conversely, the Bank, following the entry into force of the Double Taxation Convention in 2013, has a receivable from the tax authorities for the request for refund of withholding taxes on Italian securities. We specify that BAC agreed to the assessment for the year 2013 and paid the amount claimed by the Inland Revenue Office by the deadline of 31 July 2020 by way of taxes and withholding tax, recorded in the Profit and Loss Account under indirect taxes and withholding tax. The Inland Revenue Service, in 2020, opened the tax assessment on the aforementioned cases also for 2014 and BAC adhered to the assessment. Changes in the above provision are shown below.

Table 18.3 – Movement of the “Tax reserves and duties”

DESCRIPTION	31/12/2020	31/12/2019
Opening balance	106.828	266.401
Increases	-	-
• Provisions	-	-
• Other increases	-	-
Decreases	93.026	159.573
• Uses	93.026	159.573
• Other decreases	-	-
Closing balance	13.803	106.828

Table 18.4 – Movements of sub-item c) “Other Provisions”

EMPLOYEES CONTRACTUAL INCREASE FUND	31/12/2020	31/12/2019
Opening balance	168.298	168.298
Increases	-	-
• Provisions	-	-
• Other increases	-	-
Decreases	-	-
• Uses	-	-
• Other decreases	-	-
Closing balance	168.298	168.298

Even in the current year no further provisions were made, as the provision was considered to be large. The renewal of the collective labour agreement, which expired on 31/12/2010, is still under negotiation.

UNUSED HOLIDAY FUND	31/12/2020	31/12/2019
Opening balance	164.426	129.497
Increases	16.795	34.929
• Provisions	16.795	34.929
• Other increases	-	-
Decreases	-	-
• Uses	-	-
• Other decreases	-	-
Closing balance	181.222	164.426

CHARITY FUND	31/12/2020	31/12/2019
Opening balance	23.005	30.619
Increases	-	-
• Provisions	-	1.638
• Other increases	-	-
Decreases	9.850	9.252
• Uses	9.850	9.252
• Other decreases	-	-
Closing balance	13.155	23.005

CLAIMS AND REVOCATION FUND	31/12/2020	31/12/2019
Opening balance	643.800	733.800
Increases	31.660	256.000
• Provisions	31.660	256.000
• Other increases	-	-
Decreases	119.460	346.000
• Uses	26.660	346.000
• Other decreases	92.800	-
Closing balance	556.000	643.800

This provision for the current year amounted to € 31,660 and is made up of increases in loss forecasts for a case that was finally settled for € 11,660, as well as a general prudential provision of € 20,000. However, the reserve was used for € 26,660 as BAC was unsuccessful in a number of lawsuits, and the reserve was discharged to contingent assets for € 92,800 for favorably settled lawsuits.

Table 18.5 – Movements of item 80 “Provisions for risks on credits”

DESCRIPTION	31/12/2020	31/12/2019
Opening balance	17.857.990	-
Increases	-	17.857.990
• Provisions	-	17.857.990
• Other increases	-	-
Decreases	17.857.990	-
• Uses	-	-
• Other decreases	17.857.990	-
Closing balance	-	17.857.990

The bank in 2019 provided for the replenishment of the Provision for Loan Losses, to complete the adjustments resulting from the remaining AQR exercise, in the amount of € 17,857,990 (also accrued from 2019 to the Profit and Loss Account over 10 years), thus not allocating them to adjust specific impaired positions. BAC, in 2020, through the constant monitoring of credit positions, proceeded to analytically allocate value adjustments to impaired positions using this provision in full.

19. Provision for general financial risks, subordinated liabilities, subscribed capital, share premium, reserves, revaluation reserve, retained earnings (losses) carried forward and profit (loss) for the year (liability items: 90 – 100 – 110 – 120 – 130 – 140 – 150 – 160)

Table 19.1 – Breakdown of item 90 “Provisions for general financial risks”
Data not present.

Table 19.2 – Breakdown of item 100 “Subordinate liabilities”

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
Subordinated liabilities	2.400.988	4.005.165	-1.604.178	-40,05%
of which held by credit institutions	-	-	-	-
of which hybrid capitalization instruments	-	-	-	-

During the first quarter of 2020, the Bank repaid the last installment of the subordinated bond loan signed in 2020 and repayable in 20% installments starting from 01/03/2016. BAC subsequently issued a new subordinate loan with a maturity of five years, effective 1/12/2020, which was signed for a nominal value of € 2,395,000. The amount shown in the table includes accrued interest.

Table 19.3 – Breakdown of item 110 “Subscribed capital”

TYPE OF SHARES	31/12/2020			31/12/2019			CHANGES	
	No of shares	Unit value	Overall value	No of shares	Unit value	Overall value	Amount	%
Ordinary shares	803.080	26	20.880.080	803.080	26	20.880.080	-	-
Total	803.080	26	20.880.080	803.080	26	20.880.080	-	-

Table 19.4 – Breakdown of item 120 “Share premium reserves”
Data not present.

Table 19.5 – Breakdown of item 130 “Reserves”

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
a) Ordinary or legal reserve	50.873.984	54.595.023	-3.721.039	-6,82%
of which reserve in Tax suspension	1.227.968	1.227.968	-	0,00%
b) Reserve for own shares	14.378	14.378	-	0,00%
c) Statutory reserves	-	-	-	-
d) Other reserves	-	-	-	-
Total	50.888.362	54.609.401	-3.721.039	-6,81%

It should be noted that the “ordinary reserve” includes the “tax suspension reserve” set up as a result of the reverse spin-off in 2012 of Istituto Bancario Sammarinese, in application of the law arising from the tax deduction for increases in equity, established by Delegated Decree no.172 of 26 October 2010, subsequently amended by Law no.166 of 16 December 2013, art.74. The Istituto Bancario Sammarinese, in November 2012, put in place an extraordinary operation of proportional demerger in favor of BAC, which did not result in a decrease in equity through the distribution of assets, but rather a proportional contribution to the beneficiary at book values. As can be inferred from doctrine, from the provisions of art. 14 of Decree Law no. 172 of 26 October 2010 and from current legislation regarding company spin-offs (art. 78 Law no. 166 of 16 December 2013), the extraordinary tax transaction is neutral and the tax-suspension reserve of € 1,227,968 attributable to the beneficiary company BAC was incorporated into BAC’s ordinary reserve via the merger surplus generated. In effect, “unavailable” reserves were transferred to the beneficiary (and not distributed.) It should be noted that the “unavailable” charge is still present in the beneficiary BAC; in fact, no reserves were distributed from the spin-off operation until today and the table above shows this. The change in the ordinary reserve is exclusively attributable to the absorption of the 2018 loss for a total of € 3,721,039.

Table 19.6 – Breakdown of item 140 “Revaluation reserves”

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
Revaluation Reserve	18.061.042	14.835.485	3.225.557	21,74%

The item revaluation reserve increased as a result of the monetary revaluation of real estate properties owned in the amount of €3,204,908, pursuant to art. 22 of Law no. 113 of 7 July 2020, which allowed companies to carry out a revaluation of capital assets recorded in the register of depreciable assets and/or inventories as of 31 December 2019, to be carried out by 31 October 2020. Please refer to Section 3 of this Explanatory Note: “Illustration of the revaluation of business assets pursuant to Article 22 of Law no. 113 of 7 July 2020” for a detailed explanation.

In addition, the revaluation reserves underwent an overall positive change at the end of 2020, due to the revaluation under shareholders' equity of the following subsidiaries: BAC Life Spa, SSIS Spa, BAC Real Estate Spa and BAC Investments SG Spa and, conversely, a write-down on the subsidiary, BACTrustee Spa, as explained in greater detail in the section on Shareholdings.

Table 19.7 – Breakdown of item 150 “Retained earnings (losses)”

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
Retained earnings (losses) carried forward	-1.656.680	-3.721.039	2.064.359	-55,48%

Table 19.8 – Breakdown of item 160 “Net income (loss) for the period”

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
Profit (loss) for the year	158.266	-1.656.680	1.814.945	-109,55%
Total	158.266	-1.656.680	1.814.945	-109,55%

	31/12/2020	31/12/2019
Profit (loss) for the year / Total Assets ratio	0,02%	-0,19%

Table 19.9 – Changes in the net equity over the last 4 years

DESCRIPTION	Subscribed capital	Subscribed and unpaid capital	Share premium	Ordinary or legal reserve	Other reserves	Result for the year	Profits/ losses carried forward	General financial risks	Revaluation reserve	Total
Balance as of 31/12/2017	20.880.080	-	-	58.395.668	14.378	-7.585	-3.793.060	-	14.789.392	90.278.873
Balance as of 31/12/2018	20.880.080	-	-	58.395.668	14.378	-3.721.039	-3.800.645	-	14.831.669	86.600.111
Balance as of 31/12/2019	20.880.080	-	-	54.595.023	14.378	-1.656.680	-3.721.039	-	14.835.485	84.947.248
Balance as of 31/12/2020	20.880.080	-	-	50.873.984	14.378	158.266	-1.656.680	-	18.061.042	88.331.070

Table 19.10 – Breakdown of public savings collection by business sector

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
A) Public Administrations	40.835.895	32.467.506	8.368.389	25,77%
B) Financial companies other than credit institutions	67.456.159	84.618.019	-17.161.860	-20,28%
• Monetary financial institutions (excluding credit institutions)	-	-	-	-
• Investment funds other than money market funds	2.799.343	1.694.124	1.105.219	65,24%
• Other financial institutions	30.705.030	43.980.288	-13.275.258	-30,18%
• Insurance companies	33.951.786	38.943.607	-4.991.821	-12,82%
• Pension funds	-	-	-	-
C) Non-financial companies	118.645.822	93.354.744	25.291.078	27,09%
• of which subjects deleted from the register of authorized subjects	-	-	-	-
• Industry	55.875.624	37.900.944	17.974.680	47,43%
• Construction	2.050.195	2.453.403	-403.208	-16,43%
• Services	59.909.601	51.773.066	8.136.535	15,72%
• Other non-financial companies	810.402	1.227.331	-416.929	-33,97%
D) Families and non-profit institutions serving families	457.015.822	447.737.435	9.278.387	2,07%
• Consumer and producer families	448.644.970	439.717.192	8.927.778	2,03%
• Non-profit institutions serving families	8.370.852	8.020.243	350.609	4,37%
E) Others	-	-	-	-
Total	683.953.698	658.177.704	25.775.994	3,92%

As shown in the table above, the concentration of deposits mainly relates to the retail segment, highlighting the increase in funds deposited (+3.92%) with a reversal of the trend compared to recent years.

Information on the statement of assets and liabilities – Guarantees and commitments

20. Guarantees and commitments

Table 20.1 – Breakdown of “Guarantees given”

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
A) Unsecured loans of a commercial nature	9.533.146	13.299.762	-3.766.616	-28,32%
B) Unsecured loans of a financial nature	799.521	767.290	32.231	4,20%
C) Assets pledged as collateral	1.333.281	1.333.281	-	-
• of third party bonds	1.333.281	1.333.281	-	-
• of own bonds	-	-	-	-
Total	11.665.948	15.400.333	-3.734.385	-24,25%

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: i.e. 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 20.2 – Breakdown of unsecured loans

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
A) Unsecured loans of a commercial nature	9.533.146	13.299.762	-3.766.616	-28,32%
A1. Acceptances	121.667	1.785.985	-1.664.319	-93,19%
A2. Guarantees and endorsements	9.411.479	11.513.777	-2.102.297	-18,26%
A3. Strong patronage	-	-	-	-
A4. Others	-	-	-	-
B) Unsecured loans of a financial nature	799.521	767.290	32.231	4,20%
B1. Acceptances	-	-	-	-
B2. Guarantees and endorsements	799.521	767.290	32.231	4,20%
B3. Strong patronage	-	-	-	-
B4. Others	-	-	-	-
Total	10.332.667	14.067.052	-3.734.385	-26,55%

Table 20.3 – Situation of unsecured loans to credit institutions
Data not present.

Table 20.4 – Situation of unsecured loans to customers

CATEGORIES / VALUES	31/12/2020			31/12/2019		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A) Doubtful loans	113.800	-	500	500	-	500
of which non-performing loans	-	-	-	-	-	-
of which substandard loans	113.300	-	-	-	-	-
of which restructured loans	500	-	500	500	-	500
of which past due / overdue loans	-	-	-	-	-	-
of which unsecured loans to "at risk" countries	-	-	-	-	-	-
B) Performing loans	10.218.867	-	10.218.867	14.066.552	-	14.066.552
Total	10.332.667	-	10.219.367	14.067.052	-	14.067.052

Table 20.5 – Assets used as collaterals to own debts
Data not present.

Table 20.6 – Margins available on lines of credit
Data not present.

Table 20.7 – Breakdown of “Spot commitments”

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
A) Commitments to disburse funds for certain use	-	-	-	-
of which financing commitments to be disbursed	-	-	-	-
B) Commitments to exchange financial instruments for certain use	-	-	-	-
C) Commitments to disburse funds for uncertain use	3.592.068	2.270.276	1.321.792	58,22%
of which passive margins usable on credit lines	3.592.068	2.270.276	1.321.792	58,22%
of which put options issued	-	-	-	-
D) Commitments to exchange financial instruments of uncertain use	-	-	-	-
E) Other commitments	-	-	-	-
Total	3.592.068	2.270.276	1.321.792	58,22%

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. This category includes 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 methods of accounting off-balance sheet transactions required pursuant to the CBSM Regulation 2016-02 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. 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.

Table 20.8 – Term commitments

CATEGORY OF TRANSACTIONS	Hedging	Trading	Other transactions
1) Trading	-	-	-
1.1 Financial instruments	-	-	-
• Purchases	-	-	1.803.244
• Sales	-	-	-
1.2 Foreign currencies	-	-	-
• Foreign currencies against foreign currencies	-	-	-
• Purchases against Euro	-	-	-
• Sales against Euro	-	-	-
2) Deposits and financing	-	-	-
• To be paid	-	-	-
• To be received	-	-	-
3) Derivative contracts	373.586	-	-
3.1 With exchange of capital	-	-	-
a) Securities	-	-	-
• Purchases	-	-	-
• Sales	-	-	-
b) Foreign Currencies	-	-	-
• Foreign currencies against foreign currencies	-	-	-
• Purchases against euro	-	-	-
• Sales against euro	-	-	-
c) Other values	-	-	-
• Purchases	-	-	-
• Sales	-	-	-
3.2 Without capital exchange	373.586	-	-
a) Foreign Currencies	-	-	-
• Foreign currencies against foreign currencies	-	-	-
• Purchases against euro	-	-	-
• Sales against euro	-	-	-
b) Other values	373.586	-	-
• Purchases	373.586	-	-
• 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.

Contracts involving the exchange of two currencies (or the exchange differential between two currencies) should be reported only once, referring by convention to the currency to be purchased. Contracts that involve both the exchange of interest rates and the exchange of currencies should only be reported under currency contracts.

Derivative contracts on interest rates are conventionally classified as purchases or sales according to whether they involve the bank in the purchase or sale of the fixed rate.

In particular, we would point out that derivative contracts include two IRS transactions entered into with HVB (UniCredit Bank AG, better known as HypoVereinsbank or HVB) on fixed rate loans to hedge against interest rate risk, which are due to expire in 2023 for € 373,586.

The item purchases and sales of financial instruments includes the residual purchase commitment following the signing of the debt fund "Tower Credit Opportunities PLC" under UK law, dedicated to supporting the growth of Italian SMEs for € 1,803,244.

Table 20.9 – Financial derivatives

CATEGORY OF TRANSACTIONS	Hedging	Trading	Other transactions
A) Derivative contracts	-23.663	-	-
A1. With exchange of capital	-	-	-
a) securities	-	-	-
• Purchases	-	-	-
• Sales	-	-	-
b) Foreign currencies	-	-	-
• Foreign currencies against foreign currencies	-	-	-
• Purchases against euro	-	-	-
• Sales against euro	-	-	-
c) other values	-	-	-
• Purchases	-	-	-
• Sales	-	-	-
A2. Without exchange of capital	-23.663	-	-
a) Foreign currencies	-	-	-
• Foreign currencies against foreign currencies	-	-	-
• Purchases against euro	-	-	-
• Sales against euro	-	-	-
b) Other values	-23.663	-	-
• Purchases	-23.663	-	-
• 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 in article III.II.5, paragraph 7 of CBSM Regulation no. 2016/02.

Table 20.10 – Derivative contracts on loans
Data not present.

Information on the statement of assets and liabilities – Memorandum accounts

21. Memorandum accounts

Table 21.1 – Memorandum accounts

ITEMS	31/12/2020	31/12/2019
1) Asset management	10.480.116	12.509.484
a) Customer asset management	10.480.116	12.509.484
of which liquidity	5.014.170	4.781.471
of which liquidity deposited with the reporting institution	5.014.170	4.781.471
of which debt securities	620.408	751.649
of which debt securities issued by the reporting entity	–	240.000
of which debt securities issued by other San Marino credit institutions	–	–
of which equity securities and Official Italian accounting Board shares	4.845.538	6.976.364
of which equity securities issued by the reporting entity	–	–
b) Own portfolios managed by third parties	–	–
2) Custody and administration of financial instruments	648.162.976	593.342.195
a) Third party financial instruments on deposit	536.956.496	523.913.192
of which debt securities issued by the reporting entity	2.395.000	3.760.000
of which debt securities issued by other San Marino credit institutions	32.736.033	–
of which equity securities and other securities issued by the reporting entity	73.568.932	83.868.125
of which securities third-party financial instruments deposited with third parties	341.268.785	315.972.791
b) Proprietary financial instruments deposited with third parties	111.206.480	69.429.003
3) Financial instruments, liquidity and other values related to the activity of depository bank	116.112.309	105.160.130
a) Liquidity	7.165.957	8.147.742
of which liquidity deposited with the reporting institution	7.165.957	8.147.742
b) Debt securities	–	–
of which debt securities issued by the reporting entity	–	–
of which debt securities issued by other San Marino credit institutions	–	–
c) Equity securities, Official Italian accounting Board shares and other financial instruments	108.946.352	97.012.388
of which equity securities issued by the reporting entity	–	–
d) Other assets other than financial instruments and liquidity	–	–

In the table relating to the memorandum accounts, the financial instruments are related to the pertinent items, alternative to each other, on the basis of contracts signed with customers, respectively for asset management, custody and administration, trust agreement and custodian bank agreement. The aforementioned financial instruments are booked in the memorandum accounts at market value. We specify that, following the authorization granted by the Supervisory Authority to operate, the Subsidiary BAC Investments SG Spa, established in early 2018, proceeded with the distribution and sale of its own issuing funds, through the commercial network of the Parent Company BAC, of which BAC is the custodian for € 116,112,309 highlighted in the section “Financial instruments, cash and other assets related to the custodian bank activity. It should also be noted that the data indicated in the above-mentioned section of Custodian Bank, represent an “of which”, included in the Securities Custody and Administration aggregate.

Table 21.2 – Intermediation for outsourcers: execution of memorandums
Data not present.

Table 21.3 – Breakdown of indirect deposits by business sector

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
Public Administrations	5.208.250	5.018.050	-	-
Financial companies	349.263.659	347.497.850	1.765.809	0,51%
• Monetary financial institutions	-	-	-	-
• Investment funds other than money market funds	-	-	-	-
• Other financial institutions	161.160.061	162.915.962	-1.755.901	-1,08%
• Insurance companies	188.103.598	184.581.888	3.521.710	1,91%
• Pension funds	-	-	-	-
Non-financial companies	92.894.770	97.043.168	-4.148.398	-4,27%
• of which subjects deleted from the Register of Authorized Subjects	-	-	-	-
• Industry	18.234.042	19.981.758	-1.747.716	-8,75%
• Construction	1.995.476	1.986.156	9.319	0,47%
• Services	17.685.357	10.069.507	7.615.850	75,63%
• Other non-financial companies	54.979.895	65.005.747	-10.025.851	-15,42%
Families and non-profit institutions serving families	201.607.115	175.094.525	26.512.590	15,14%
• Consumer and manufacturer families	199.774.693	174.407.598	25.367.095	14,54%
• Non-profit institutions serving families	1.832.422	686.927	1.145.495	166,76%
Others	-	-	-	-
Total	648.973.794	624.653.594	24.320.201	3,89%

Table 21.4 – Trust activity

DESCRIPTION	31/12/2020	31/12/2019
1. Movable assets	22.952.122	-
1.1. Financial instruments	18.305.599	-
1.2. Cash	4.646.523	-
2. Shareholdings	24.952.997	-
2.1. Units or shares in joint-stock companies	18.200.285	-
2.2. Shareholder financing	6.694.625	-
2.3. Cash	58.087	-
3. Financing to third parties	2.617.330	-
3.1. Financing	2.528.707	-
3.2. Cash	88.624	-
4. Other movable or intangible assets	-	-
4.1. Movable or intangible assets	-	-
4.2. Cash	-	-
5. Total fiduciary assets	50.522.449	-
5.1. of which total cash	4.793.234	-

As specified above in the shareholding details, BAC Trustee Spa (formerly Bac Fiduciaria Spa), following a change in the corporate purpose and the waiver by part of the related reserved activity, transferred all the activities relating to the management of fiduciary mandates en bloc in favor of the parent company BAC, with value date 01/01/2020; therefore, the table shown above as of 31/12/2020 is supported with respect to 2019.

Table 21.5 – Assets held in the exercise of trustee function

Data not present.

Part C – Information on the profit and loss account

22. Interests (Profit and loss account item 10 – 20)

Table 22.1 – Breakdown of item 10 “Interest income and similar revenues”

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
A) On Treasury Bonds and other financial instruments eligible for refinancing with central banks	-	-	-	-
A1. Treasury securities and other similar financial instruments	-	-	-	-
A2. Other financial instruments eligible for refinancing with central banks	-	-	-	-
B) On loans from credit institutions	-4.747	100.272	-105.019	-104,73%
B1. Active current accounts	-6.598	-15.347	8.749	-57,01%
B2. Deposits	1.851	115.619	-113.768	-98,40%
B3. Other financing	-	-	-	-
of which on leasing transactions	-	-	-	-
C) Loans to customers	12.067.496	13.754.016	-1.686.520	-12,26%
C1. Active current accounts	3.325.836	3.539.447	-213.611	-6,04%
C2. Deposits	-	-	-	-
C3. Other financing	8.741.660	10.214.569	-1.472.909	-14,42%
of which on leasing transactions	2.244.438	2.414.483	-170.045	-7,04%
D) On debt securities issued by credit institutions	-	-	-	-
D1. Certificates of deposit	-	-	-	-
D2. Bonds	-	-	-	-
D3. Other financial instruments	-	-	-	-
E) On debt securities from customers (issued by other issuers)	916.497	691.843	224.653	32,47%
E1. Bonds	916.497	691.843	224.653	32,47%
E2. Other financial instruments	-	-	-	-
Total	12.979.245	14.546.131	-1.566.886	-10,77%

These items show, on an accrual basis, the interests, 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 considered unrecoverable. The table shows a contraction in interest income attributable to the customer segment due to the downsizing of lending volumes

Table 22.2 – Breakdown of item 20 “Interest expense and similar charges”

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
A) On amounts due to credit institutions	3.072	287	2.785	969,78%
A1. Passive current accounts	3.072	287	2.785	969,78%
A2. Deposits	-	-	-	-
A3. Other debts	-	-	-	-
B) On amounts due to customers	694.684	927.136	-232.452	-25,07%
B1. Passive current accounts	479.929	642.342	-162.413	-25,28%
B2. Deposits	3.496	44.539	-41.043	-92,15%
B3. Other debts	211.260	240.256	-28.996	-12,07%
C) On debts represented by financial instruments towards credit institutions	-	-	-	-
of which on certificates of deposit	-	-	-	-
D) On debts represented by financial instruments towards customers	2.306.833	2.683.834	-377.002	-14,05%
of which on certificates of deposit	2.306.833	2.683.834	-377.002	-14,05%
E) On subordinated liabilities	16.852	77.362	-60.510	-78,22%
of which on hybrid instruments of capitalization	-	-	-	-
Total	3.021.441	3.688.620	-667.179	-18,09%

The decrease in interest income was matched by a decrease in interest expense due, on one hand, to a more efficient management of deposit rates and, on the other hand, to the contraction of money market rates, despite an increase in direct deposits.

23. Commission income (profit and loss account item 30)

Table 23.1 – Breakdown of item 40 “Dividends and other revenues”

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
A) On shares, stocks and other capital instruments	-	-	-	-
B) On shareholdings	150.000	-	150.000	100,00%
C) On shareholdings in group companies	1.007.687	-	1.007.687	100,00%
Total	1.157.687	-	1.157.687	100,00%

The item dividends was not supported in 2019 compared to 2020 due to the decision to account for dividends on a cash basis and not on an accrual basis, consistent with international and Italian accounting standards (OIC 21). Therefore, 2020 includes the 2019 dividends recognized by BAC Life Spa, amounting to € 1,007,687, and SSIS Spa, amounting to € 150,000.

24. Commissions (profit and loss account item 40 – 50)

Table 24.1 – Breakdown of item 40 “Commission income”

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
A) Guarantees given	98.399	93.698	4.700	5,02%
B) Credit derivatives	-	-	-	-
C) Investment services	520.519	471.436	49.083	10,41%
C1. Reception and transmission of orders (letter D1 Annex 1 LISF)	502.775	442.439	60.336	13,64%
C2. Execution of orders (letter D2 Annex 1 LISF)	-	-	-	-
C3. Portfolio management of financial instruments (letter D4 Annex 1 LISF)	17.744	28.998	-11.253	-38,81%
C4. Placement of financial instruments (letters D5 and D6 Annex 1 LISF)	-	-	-	-
D) Financial instruments consulting activities	-	-	-	-
E) Distribution of services and products of third parties other than the placement	1.098.813	1.006.872	91.942	9,13%
E1. Asset management	-	-	-	-
E2. Insurance products	362.000	185.718	176.282	94,92%
E3. Other services and products	736.813	821.154	-84.340	-10,27%
F) Collection and payment services	1.565.540	1.810.945	-245.404	-13,55%
G) Depository bank services	125.057	86.132	38.926	45,19%
H) Custody and administration of financial instruments	336.044	328.946	7.098	2,16%
I) Trust services	153.279	-	153.279	100,00%
L) Exercise of tax collectors and receivers	-	-	-	-
M) Currency trading	238.778	327.293	-88.515	-27,04%
N) Commissions for collective management services (letter E and F Annex 1 LISF)	-	-	-	-
O) E-money	-	-	-	-
P) Issue / management of credit cards / debit cards	-	-	-	-
Q) Other services	1.781.009	1.771.932	9.077	0,51%
Total	5.917.438	5.897.253	20.185	0,34%

Commission income as a whole remained in line with the previous year, while some items decreased, for others there was a strong growth, in particular: the distribution of insurance products of the subsidiary BAC Life Spa, the activity of Custodian Bank for the subsidiary BAC Investment SG Spa and, finally, the commission item on Trustee Services, as a result of the change in the articles of association of Bac Trustee Spa in 2020 (formerly Bac Fiduciaria Spa) which concerned the trustee mandates and their operational management brought back to BAC.

Table 24.2 – Breakdown of item 50 “Commission expense”

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
A) Guarantees given	-	40	-40	-100,00%
B) Credit derivatives	-	-	-	-
C) Investment services	366.165	336.588	29.577	8,79%
C1. Reception and transmission of orders (letter D1 Annex 1 LISF)	261.135	262.659	-1.524	-0,58%
C2. Execution of orders (letter D2)	63.367	31.096	32.271	103,78%
C3. Portfolio management of financial instruments (letter D4 Annex 1 LISF)	349	861	-512	-59,49%
• Own portfolio	-	-	-	-
• Third party portfolio	349	861	-512	-59,49%
C4. Placement of financial instruments (letters D5 and D6 Annex 1 LISF)	41.314	41.971	-657	-1,57%
D) Off-site offer of financial instruments, products and services	-	-	-	-
E) Collection and payment services	743.794	872.526	-128.732	-14,75%
F) Commissions to distributors	-	-	-	-
G) E-money	-	-	-	-
H) Issue / management of credit cards / debit cards	-	-	-	-
I) Other services	70.553	36.915	33.638	91,12%
Total	1.180.512	1.246.068	-65.556	-5,26%

Concurrently the increase in commission income there was an increase in commission expense, the breakdown of which sees an increase in collection fees attributable to the collection and payment service sector in relation to the new San Marino provider Tp@y Spa and, on the other hand, a decrease in securities brokerage commissions against the decrease in indirect deposits.

Table 24.3 – General expenses: information on commission income and expenses

Data not present.

25. Profits (losses) on financial transactions (profit and loss account item 60)

Table 25.1 – Breakdown of item 60 “Profits (losses) on financial transactions”

ITEMS / TRANSACTIONS	31/12/2020			
	Transactions on financial instruments	Transactions on currencies	Transactions on metals and precious metals	Other transactions
A1. Revaluations	719.812	-	-	-
A2. Write-downs	-	-	-	-
B. Other Profits / Losses	593.211	321.354	-	-
Total	1.313.022	321.354	-	-
Government bonds	1.241.887			
Other financial debt instruments	71.135			
Equity financial instruments	-			
Derivative contracts on financial instruments	-			
Total	1.313.022			

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., Securities management showed an excellent positive result compared to the previous year thanks to the upside opportunities seized on the markets for government securities held in the free trading portfolio.

As fully detailed in the section on securities, item 60 “Profits and losses from financial transactions” also includes the capital gains from the transfer of nine securities from the free portfolio to the investment portfolio, with a specific board resolution, for an accounting value of € 21,813,183 accounting for a capital gain of € 244,707 in accordance with the provisions of the Supervisory Authority, with Prot.20/3582 of 06/04/2020, in view of the exceptional situation created by the COVID-19 health emergency.

26. Other operating income (profit and loss account item 70) and Other operating charges (profit and loss account item 80)

Table 26.1 – Breakdown of item 70 – 80 “Other operating income”, “Other operating charges”

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
Other operating income	-	-	-	-
• Rental income on real estate	911.898	900.865	11.033	1,22%
• Recovery of insurance expenses	22.408	21.152	1.256	5,94%
• Commissions income on reports	80.694	163.239	-82.545	-50,57%
• Miscellaneous expense recoveries	42.457	64.853	-22.396	-34,53%
• Share capital leasing fees	9.460.537	11.918.574	-2.458.038	-20,62%
Total	10.517.994	13.068.684	-2.550.690	-19,52%
Other operating expenses	-	-	-	-
Total	-	-	-	-

In accordance with the provisions of the CBSM Regulations on the preparation of financial statements, finance lease instalments accrued during the year are recorded, for the interest portion, under the item “interest income and similar income on loans” and, for the capital portion, under the item “other operating income”. At the same time, the bank reduces the value of the leased asset by the amount of the principal portion, through the recognition of depreciation; therefore, the item “other operating income” includes the principal portion accrued on leasing contracts, in addition to redemptions and down-payments.

27. Administrative expenses (profit and loss account item 90)

Table 27.1 – Number of employees by category and personnel costs

DESCRIPTION	31/12/2020			31/12/2019		
	Average	Personnel expenses	Number	Average	Personnel expenses	Number
A) Managers	23,08	2.112.071	22	22,75	2.477.552	24
B) Administrative staff	16,00	1.209.542	16	15,50	1.157.823	16
C) Remaining personnel	78,75	4.761.704	77	83,25	4.652.939	81
C1. Employees	78,75	4.761.704	77	83,25	4.652.939	81
C2. Other personnel	-	-	-	-	-	-
Total	117,83	8.083.316	115	121,50	8.288.315	121

It should be noted that the personnel costs, detailed in the table above, also include employees contractually classified as Executives, in accordance to CBSM Regulation 2016-02; on the other hand, the remuneration paid to corporate executives, such as directors and statutory auditors, explained in Table 27.3, as also reclassified in the Profit and Loss Account and required by Article IV.IV.6 of CBSM Regulation 2016-02, is not included.

The rationalisation of costs continues: compared to the previous year, total personnel costs, including fees, decreased by € 350,790, against a reduction in the number of employees by 2. The bank made no provision for MBO, i.e. one-off bonuses paid to employees on the basis of the performances gained from the Network and administrative units.

Table 27.2 – Breakdown of sub-item b) “Other administrative expenses”

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
Other administrative expenses	4.879.414	4.862.907	16.507	0,34%
of which fees to independent auditors	58.270	54.881	3.389	6,18%
of which fees for services other than auditing the financial statements	-	-	-	-
of which other	4.821.144	4.808.026	13.118	0,27%
• Expenses for professional services	731.232	668.638	62.594	9,36%
• Expenses for the purchase of non-professional goods and services	1.297.625	1.410.347	-112.722	-7,99%
• Rents and fees	1.746.068	1.745.780	288	0,02%
• Insurance premiums	178.865	174.896	3.969	2,27%
• Supervisory charges	543.307	547.180	-3.873	-0,71%
• Charity and sponsorship expenses	18.450	45.108	-26.658	-59,10%
• Indirect taxes and duties	207.184	40.804	166.380	407,75%
• Depositors guarantee fund contribution	98.413	175.273	-76.860	-43,85%

Other administrative expenses remain constant and in line with the previous year, in which a significant reduction had already been recorded, thanks to policies of prudent management and control and despite the increase in administrative burdens imposed by the effects of the ongoing health crisis (COVID 19) recorded in the 2020 financial year.

Table 27.3 – Remuneration

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
A) Directors	85.556	77.526	8.030	10,36%
B) Auditors	73.195	72.720	475	0,65%
C) Management	174.937	460.632	-285.695	-62,02%
Total	333.689	610.878	-277.190	-45,38%

This table details the remuneration paid to Directors and Statutory Auditors for positions held at the Bank, including attendance fees, as well as remuneration paid to Management, i.e. General Manager, Deputy General Manager and other Managers with strategic responsibilities, the latter not present.

Breakdown of sub-item "Other personnel expenses"

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
Other personnel expenses	20.529	56.284	-35.755	-63,53%
of which training costs	-	-	-	-
of which other	20.529	56.284	-35.755	-63,53%
• Reimbursement of expenses and travel	7.397	43.601	-36.204	-83,03%
• Miscellaneous expenses	13.132	12.683	449	3,54%

28. Adjustments, recoveries and provisions (profit and loss account item 100 – 110 – 120 – 130 – 140 – 150 – 160 – 170)

Table 28.1: Breakdown of items 100 – 110 "Value adjustments on intangible and tangible assets"

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
A) Intangible fixed assets	194.769	319.239	-124.470	-38,99%
of which on leased assets	-	-	-	100%
of which on other intangible fixed assets	194.769	319.239	-124.470	-38,99%
• Software	75.980	70.702	5.278	7,47%
• Studies, research and training	36.792	45.109	-8.318	-18,44%
• Various multi-year costs	40.184	161.174	-120.990	-75,07%
• Accommodation expenses for rent	-	440	-440	-100,00%
• Concession rights and works of the underpass	41.813	41.813	-	-
Total	194.769	319.239	-124.470	-38,99%
B) Tangible fixed assets	11.886.489	12.935.629	-1.049.140	-8,11%
of which on leased assets	9.389.384	11.850.307	-2.460.923	-20,77%
of which on other tangible fixed assets	2.497.105	1.085.323	1.411.782	130,08%
• Mobile, safes and systems	90.758	157.362	-66.604	-42,33%
• Electronic machines	75.631	73.976	1.655	2,24%
• Motor vehicles	-	-	-	-
• Real estate and land	2.323.082	10.590	2.312.492	21837,27%
• Equipment and machinery	7.635	10.590	-2.955	-27,90%
• Other activities	-	-	-	-
Total	12.081.258	13.254.868	-1.173.610	-8,85%

The contributions to the various amortization funds of the assets functional to the fiscal year constitute the sum of the shares accrued in 2019, calculated in relation to their residual possibility of use and coinciding with the percentages established by the tax provisions of Law 166/2013. The applied rates are listed below:

Real estate	3%
Mobile, safes and systems	15%
Electronic machines	20%
Motor vehicles	20%
Software	20%
Accommodation expenses for rent	20%
Studies, research and training	20%
Concession rights and works of the underpass	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. 2016/02 of Central Bank article IV.V.5.

In 2020, in addition to adjustments for depreciation, write-downs were added for € 1,379,425 on non-instrumental real estate and € 443,109 on real estate available for collection, in order to align the book value with updated appraisals.

Table 28.2 – Breakdown of item 120 “Reserves for risks and charges”

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
Provisions (relating to the sub-item “Other provisions” of Liabilities)	-	-	-	-
Provisions for charges, disputes and litigation	31.660	256.000	-224.340	-87,63%
Total	31.660	256.000	-224.340	-87,63%

Provisions amounting to € 11,660 were made for reserves for risks and charges in accordance with the timely update on the loss forecasts relating to ongoing disputes, in addition to an additional € 20,000 for prudential lump-sum provisions”.

Table 28.3 – Item 130 “Provisions for risks on credits”

Data not present.

Tabella 28.4 – Breakdown of item 140 “Value adjustments on loans and provisions for guarantees and commitments”

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
A) Value adjustments on loans	7.959.000	5.924.307	2.034.693	34,34%
of which:	-	-	-	-
• Lump-sum adjustments for country risk	-	11	-11	-99,87%
• Other lump sum adjustments	608.112	1.442.960	-834.848	-57,86%
B) Provisions for guarantees and commitments	-	-	-	-
of which:	-	-	-	-
• Lump-sum provisions for country risk	-	-	-	-
• Other lump-sum provisions	-	-	-	-
Total	7.959.000	5.924.307	2.034.693	34,34%

In accordance with the CBSM Regulation 2016-02, and as already illustrated in the relevant sections of the Explanatory Notes to the Financial Statements, the Bank should carry out analytical write-downs based on each debtor's solvency and portfolio write-downs based on the performance of its own economic sector and the country of reference. The value adjustments made in 2020 raise the adjustment provision for receivables to a countervalue considered congruent with the analytical write-downs related to the loss forecasts of the individual debtors and with the flat-rate write-downs established, as mentioned above, based on the sector of economic activity and country risk; these adjustments generate a hedging of cash loans of 18.07%, against 13.63% in 2019.

Net Adjustments on loans and on provisions for guarantees and commitments amount to € 5,894,027, broken down as follows: € 7,959,000 for provisions and adjustments on loans (table 28.4), € 2,064,973 for value recoveries from collections and valuations (table 28.6). It should be noted that in 2020 the accrual to the Profit and Loss Account of the AQR adjustments continued, as provided for by Finance Law no.173 of 24 December 2018 art.40, paragraph 2, and instance authorized by BCSM for € 4,581,762, following the conclusion of the definition of the Adjustments resulting from the Asset Quality Review (AQR) exercise with the Supervisory Authority in 2019.

Table 28.5 – Various types of movements in item 140 “Value adjustments to receivables and provisions for guarantees and commitments”

DESCRIPTION	31/12/2020		31/12/2019		CHANGES	
	Analytics	Flat-rate	Analytics	Flat-rate	Amount	%
A) Total write-downs of cash loans	7.350.887	608.112	4.481.335	1.442.971	2.034.693	34,34%
A1. Write-down of loans – non-performing loans	5.975.729	–	3.511.953	–	2.463.776	70,15%
A2. Write-down of loans – substandard loans	428.547	–	399.468	–	29.080	7,28%
A3. Write-down of loans – other loans	946.611	608.112	569.914	1.442.971	–458.162	–22,76%
B) Total cash loan losses	–	–	–	–	–	–
B1. Non-performing loans	–	–	–	–	–	–
B2. Substandard loans	–	–	–	–	–	–
B3. Other loans	–	–	–	–	–	–
Total value adjustments on cash loans (A + B)	7.350.887	608.112	4.481.335	1.442.971	2.034.693	34,34%
C) Total provisions for guarantees and commitments	–	–	–	–	–	–
C1. Guarantees	–	–	–	–	–	–
C2. Commitments	–	–	–	–	–	–
Grand Total (A+B) + C	7.350.887	608.112	4.481.335	1.442.971	2.034.693	34,34%

Table 28.6 – Breakdown of item 150 “Writebacks on loans and on provisions for guarantees and commitments”

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
Value recovery	2.064.973	1.022.518	1.042.455	101,95%
of which on non-performing loans	1.525.508	620.902	904.605	145,69%
of which on substandard loans	228.247	218.994	9.254	4,23%
of which on other loans	311.218	182.622	128.596	70,42%

Table 28.7 – Breakdown of item 160 “Financial fixed asset adjustments”

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
Value adjustments	-	11.741	-11.741	-100,00%
of which on equity investments	-	11.741	-11.741	-100,00%
of which on equity investments in subsidiaries	-	11.741	-11.741	-100,00%
of which on equity investments in associated companies	-	-	-	-
of which on equity investments valued at net equity	-	11.741	-11.741	-100,00%
of which on other capital financial instruments	-	-	-	-
of which on other debt financial instruments	-	-	-	-
of which on other derivative financial instruments	-	-	-	-

Table 28.8 – Breakdown of item 170 “Financial fixed asset writebacks”
Data not present.

29. Extraordinary income (profit and loss account item 190) and extraordinary charges (profit and loss account item 200)

Table 29.1 – Breakdown of item 190 “Extraordinary income” and item 200 “Extraordinary charges”

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
Extraordinary income	-	-	-	-
• Contingent assets	146.103	128.925	17.178	13,32%
• Receipts on positions passed to losses	50.677	140.989	-90.312	-64,06%
• Termination of customer relations	71	616	-546	-88,55%
• Release of the Complaints and Revocatory Fund	92.800	-	92.800	100,00%
• Other extraordinary income	400	252.315	-251.915	-99,84%
• Capital gain on transfer of securities from investment portfolio to free Prot. 20/13417	2.939.084	-	2.939.084	100,00%
• Detection of deferred tax assets Law 154 / 2019	506.158	-	506.158	100,00%
Total	3.735.293	522.846	3.212.447	614,42%
Extraordinary charges	-	-	-	-
• Discounting of fixed assets from transferred securities	99.531	-	99.531	100,00
• Repayment of interest income, commissions	4.963	118	4.845	41,18
• Termination of customer relations	9.430	22.995	-13.565	-58,99%
• Other extraordinary charges	100.705	217.022	-116.317	-53,60%
Total	214.628	240.135	-25.506	-10,62%

It should be noted that other extraordinary income includes:

- € 506,158 for the recognition of deferred tax assets following the acceptance of the option to carry forward tax losses arising from deductions of taxed surpluses on the provision for loan losses prior to 2019, pursuant to Law no. 154 of 3 October 2019, art.11, paragraph 5.
- €2,839,553 for profit from the transfer of owned securities from the investment portfolio to the free portfolio as provided for in Prot.20/13417 of 22/12/2020 and fully detailed in this document in Table 5.3 “transfer of investment securities”.

Breakdown of the item “Income taxes for the year”

DESCRIPTION	31/12/2020	31/12/2019	CHANGES	
			Amount	%
Income taxes for the year	-	-	-	-
Total	-	-	-	-

It should be noted that taxes on the year were not recorded as the tax balance sheet will benefit from decreasing tax changes (dividends distributed, surplus taxed on the provision for bad debts in accordance with Law 154/2019, loss carry-forwards from previous years), which result in zero income taxes and a tax loss, which can be carried forward in full and without limit for the next tax years, in accordance with Law 154/2019.

30. Change in the provision general financial risk (profit and loss account item 230)

Dati non presenti.

Part D – Other Information

31. Prudential aggregates

Table 31.1 – Prudential aggregates

DESCRIPTION	31/12/2020
	Amount
A) Supervisory capital	31.330.660
A1. Core capital	32.585.073
A2. Supplementary capital	20.155.742
A3. Elements to be deducted	21.410.155
A4. Supervisory capital	31.330.660
Risk activities and supervisory ratios	-
B1. Risk-weighted assets	310.035.766
C2. Supervisory capital/risk-weighted assets	10,11%

In the drafting of the prudential aggregates, the indications of CBSM Regulation no.2007-07 and of the Supervisory Authority with Prot.19/10691 of 24/10/2019 and 20/5553 of 19/06/2020 were implemented; therefore, the AQR adjustments, suspended for 2020 for 8/10 under the item "Other Assets" for € 36,654,094 (pursuant to art.40 of Law no.173 of 24 December 2018 and as per the application authorized by the Central Bank Prot.20/5553 of 19/06/2020), were deducted from the Regulatory Capital. The new method of calculating regulatory capital, with effect from 31/12/2019, showed a solvency ratio of 10.11%, below the required regulatory minimum of 11%, but up 1.30 percentage points compared to 31/12/2019, where it stood at 8.81%.

32. Major risks and related parties

Table 32.1 – Major risks

DESCRIPTION	31/12/2020	31/12/2019		CHANGES	
		Proforma	Absolute		%
Amount	135.267.865	122.165.477	13.102.388		10,73%
Number	22	21	1		4,76%

This table shows the number of risk positions constituting a “major risk” according to current supervisory regulations. The total amount is the sum of the individual risk positions, direct and indirect, cash and unsecured, gross of any portion deducted from the regulatory capital, deduced from the prudential supervisory report at the reference date of 31/12/2020.

Table 32.2 – Risks to related parties

DESCRIPTION	31/12/2020	31/12/2019		CHANGES	
		Proforma	Absolute		%
Amount	14.579.882	10.662.388	3.917.494		36,74%
Number	7	6	1		16,67%

The above table shows the total weighted amount and the number of risk positions with related parties and parties connected to them, in accordance with the provisions of current supervisory regulations. The overall amount is the sum of the individual risk positions, direct and indirect, cash and unsecured, gross of any portion deducted from the regulatory capital, taken from the prudential supervisory report as of 31/12/2020.

33. Time distribution of assets and liabilities

Table 33.1 – Time distribution of assets and liabilities

ITEMS / REMAINING DURATIONS 31/12/20	Total	At sight	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From over 1 year to 18 months		From over 1 year to 18 months		From over 2 to 5 years		Over 5 years		Maturity not attributed
						F	T	F	T	F	T	F	T	
1) Assets	609.553.511	171.434.296	24.239.277	10.825.853	16.357.917	1.702.751	13.358.191	7.115.888	14.889.244	26.581.292	66.550.164	62.110.178	114.671.516	79.716.946
1.1 Treasury securities and other financial instruments eligible for refinancing with Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Loans to credit institutions	134.657.459	100.328.735	2.160.928	-	-	-	-	-	-	-	-	-	-	32.167.796
1.3 Loans to customers	373.710.434	66.693.374	20.717.355	10.571.960	15.682.295	816.353	13.358.191	651.102	14.889.244	2.142.609	66.550.164	1.221.729	112.866.909	47.549.150
1.4 Bonds and other debt financial instruments	83.750.772	-	-	-	-	-	-	6.220.775	-	22.472.305	-	55.057.692	-	-
1.5 Off-balance sheet transactions	17.434.845	4.412.186	1.360.994	253.892	675.622	886.398	-	244.010	-	1.966.379	-	5.830.756	1.804.607	-
2) Liabilities	702.578.238	442.561.574	84.596.322	69.014.033	55.053.632	23.769.283	1.065.826	13.286.807	287.669	4.758.715	549.013	5.830.756	-	-
2.1 Due to credit institutions	1.189.695	1.189.695	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Due to customers	473.389.996	435.812.911	21.963.909	5.611.573	10.001.603	-	-	-	-	-	-	-	-	-
2.3 Payables represented by financial instruments	207.233.579	217.646	61.271.419	63.148.568	44.376.407	22.882.885	1.065.826	12.082.401	287.669	1.351.744	549.013	-	-	-
• Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
• Certificates of deposit	207.233.579	217.646	61.271.419	63.148.568	44.376.407	22.882.885	1.065.826	12.082.401	287.669	1.351.744	549.013	-	-	-
• Other financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.4 Other liabilities: cheques in circulation	929.136	929.136	-	-	-	-	-	-	-	-	-	-	-	-
2.5 Subordinated liabilities	2.400.988	-	-	-	-	-	-	960.395	-	1.440.593	-	-	-	-
2.6 Off-balance sheet transactions	17.434.845	4.412.186	1.360.994	253.892	675.622	886.398	-	244.010	-	1.966.379	-	5.830.756	1.804.607	-



36. More information about credit cards / debit cards / e money

Table 36.1 – Amounts of money transfers

TYPE OF TRANSACTION	31/12/2020				31/12/2019			
	Transaction amount	Number of transactions	Commissions received	Expense recoveries	Transaction amount	Number of transactions	Commissions received	Expense recoveries
Credit cards	-	-	-	-	-	-	-	-
Debit cards	59.053.079	720.574	19.545	21.464	66.936.712	803.620	31.056	27.729
E-money	932.526	25.118	2.361	8.257	1.061.935	26.579	703	9.556
Total	59.985.605	745.692	21.907	29.721	67.998.647	830.199	31.759	37.284

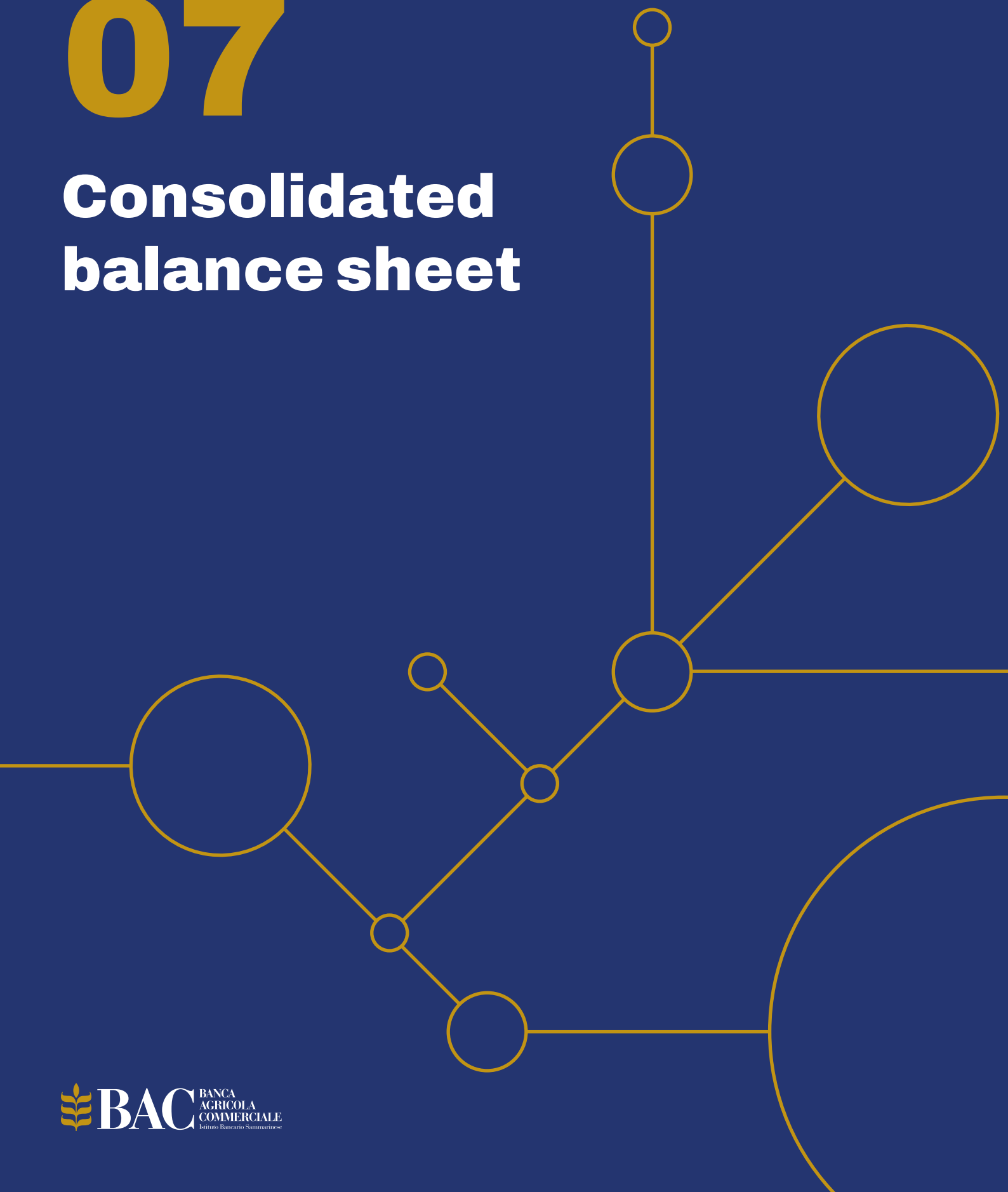
San Marino, 28/05/2021

The General Manager

The Chairman of the Board of Directors

07

Consolidated balance sheet



Consolidated Balance Sheet

Financial Statements – 2019 Reports and Financial Statements Gruppo Bancario Banca Agricola Commerciale S.p.A. Istituto Bancario Sammarinese S.p.A.

The public health state of emergency resulting from the coronavirus outbreak, referred to as COVID-19, severely impacted the local population, businesses, and the San Marino economy, which showed resilience despite pre-existing challenges. The efforts and policy support provided by the government were appropriate and helped the economy cope with the fallout from the pandemic, as noted by the IMF in the February 2021 Executive Board Concludes¹⁰. The authorities will ensure further support until the recovery rests on solid footing. The Monetary Fund welcomed the government's intention to pursue fiscal and structural reforms, however the Titan government's ambitious fiscal strategy will require broad political and social support as well as appropriate sequencing and prioritization to maximize the chances of success. According to the latest calculations, growth prospects will jump 4.5% in 2021, after an actual contraction of 9.5% in 2020, based on improvements in the retail and tourism sectors, and a strong rebound in export-oriented manufacturing.

The IMF, in the above-mentioned Report, stresses the need for structural reforms aimed at strengthening external competitiveness, limiting the scarring effects of the crisis and, at the same time, improving growth prospects. Timely implementation of other legislation, including that relating to corporate insolvency, the labor market and limiting red tape, remains essential to promote higher growth. The significant interventions and progress made to address structural problems in the financial sector are recognized and appreciated. The recapitalization of the main state-owned bank, with the perpetual bond loan combined with a significant reduction in operating costs, responds perfectly – according to the IMF – to the urgent need to strengthen the bank's capital position and profitability.

The rating agency Fitch confirmed San Marino's medium/long-term rating at BBB- with a negative outlook in April 2020. The key rating drivers which led Fitch to maintain the rating at BB- class can be traced back to the same criticalities expressed by the International Monetary Fund; in particular,

¹⁰ IMF Country Report Republic of San Marino: Staff Concluding Statement of an IMF Staff Visit – 17 February 2021.

San Marino is supported by high levels of wealth with GDP per capita closer to the “AAA” average than the “BB” median and the rating also benefits from a resilient export sector and a large net position with external creditors, as well as a stable political system; however, the rating is weighed down by a high debt burden and a large and poorly capitalized banking sector. The very small size of the economy and limited administrative capacity, as well as data quality problems and low growth potential are also major weaknesses. According to the latest IMF estimates, the country’s **real GDP**, which contracted sharply in 2020, will increase to +4.5% for 2021, in line with the rebound forecasts for all countries affected by the pandemic.

The inflation rate for 2020 was **+0.2%** and is expected to be **+0.8%** for 2021. The unemployment rate for 2020 was **7.3%** and IMF projections see an improving rate for 2020 at **6.6%**.

As of 31/12/2020, the BAC group (hereinafter also referred to as the group or banking group) had a consolidated value of total deposits of **€ 1,332.92** million (also including the Custodian Bank Activity for BAC Investments SG Spa), divided between direct and indirect deposits of €683.95 million and €648.97 million, respectively.

Total assets as of 31/12/2020 amounted to **€ 1,075** million, compared to € 1,067 million as of 31/12/19, while receivables from customers, expressed at their estimated realizable value (therefore already net of the provision for possible loan losses for € 82.416 million), decreased from € 428.642 million to € 373.81 million, an item which shows a decrease in absolute terms of – € 54.831 million.

The group obtained an intermediation margin of € 20.477 million at consolidated level in the 2020 financial year, an increase of 0.83% compared to 2019, we specify in this regard that the item “other revenues”, in which the capital shares of the leasing fees are included, were algebraically added the relative depreciation shares, of the same amount, which were included in the item depreciation, whose values are respectively € 9.431 million for 2020 and € 11.850 million for 2019.

Overhead costs, amounting to € 15.806 million, decreased by 1.04% compared to the final balance as of 31/12/19 (–15.971 million), the result of a careful policy of cost containment and improvement of economies of scale across all group companies, and initiated in previous years.

Personnel costs recorded a saving of € 0.209 million (–2.28% compared to 31/12/19), while administrative expenses increased by € 0.133 million (+2.53%), an increase also due to the incidence of administrative charges imposed by the management of the ongoing health crisis (COVID 19).

It shows a positive operating result of € 4.670 million, an increase of 7.68% compared to 2019 (+0.333 million) and a consolidated result of € 0.649 million, after expensing significant provisions for risks on receivables and provisions for risks and charges for a total of € 5.925 million, an increase of 14.89% compared to the previous year, the result of a rigorous assessment of the receivables of group companies; as well as write-downs made on real estate owned, no longer instrumental and deriving from debt collection, for € 1.555 million.

It should be noted that the component of extraordinary proceeds for the current year was fed for € 2.939 million by capital gains on the transfer of securities from the investment portfolio to the free portfolio, as authorized by CBSM with Prot.20/13417 of 22/12/2020.

The Report sets out the consolidated figures for fiscal year 2020, compared with 2019 expressed on the basis of accounting principles characteristic of the consolidated financial statements.

Reference should be made to the tables below and to the Parent Company's Report for a summary presentation of the consolidated balance sheet as well as the profit and loss account as of 31 December 2020, prepared as follows:

- the individual accounts as of 31/12/2020 of the Parent Company BAC were added to those of the wholly-owned subsidiaries belonging to the banking group, in order to obtain an initial reference aggregate;
- the reciprocal equity balances existing as of 31/12/2020 were eliminated and the reciprocal accounting of costs and revenues during the year between group companies was 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 or deficit) were attributed to the shareholders' equity of the parent company.

The scope of consolidation includes the following companies: BAC Investments Spa, BAC Life Spa, BAC Real Estate Srl and BAC Trustee Spa, which are fully owned.

Financial statements

Asset items

Consolidato BAC – BAC Investments SG Spa – BAC Life Spa – BAC Real Estate Srl – Bac Trustee Spa

CODE	ASSET ITEMS	31/12/2020	31/12/2019	CHANGE	
				Absolute	%
10	Cash and cash equivalents	3.205.086	7.414.613	-4.209.527	-56,77%
20	Loans to banks	143.522.515	114.528.335	28.994.180	25,32%
	a) At sight	109.193.791	71.652.969	37.540.822	52,39%
	b) Other receivables	34.328.724	42.875.367	-8.546.643	-19,93%
30	Loans to customers *	305.351.274	351.724.989	-46.373.715	-13,18%
40	Bonds and other debt financial instruments	234.106.515	229.846.118	4.260.397	1,85%
	a) Public issuers	158.160.079	129.126.781	29.033.298	22,48%
	b) Bank issuers	5.607.586	210.439	5.397.148	2564,71%
	of which own financial instruments	-	-	-	-
	c) Investors (investment firms)	-	-	-	-
	d) Other issuers	70.338.850	100.508.898	-30.170.048	-30,02%
50	Shares, stocks and other capital financial instruments	85.251.916	45.680.712	39.571.205	86,63%
60	Shareholdings	4.723.110	4.718.689	4.421	0,09%
70	Investments in bank group companies	-0	-	-0	-
80	Intangible fixed assets	1.566.102	1.523.460	42.642	2,80%
	a) of which goodwill	519.419	417.187	102.232	24,50%
90	Tangible fixed assets	165.807.137	172.066.696	-6.259.559	-3,64%
	a) of which financial leases	65.711.116	74.254.276	-8.543.160	-11,51%
	b) of which assets awaiting lease	2.229.101	2.245.789	-16.688	-0,74%
100	Subscribed paid capital not paid-in	-	-	-	-
110	Treasury shares or stocks	14.378	14.378	-	-
120	Other assets	130.425.429	139.605.638	-9.180.209	-6,58%
130	Accrued income and prepaid expenses	811.778	861.953	-50.174	-5,82%
	a) Accrued income	601.045	561.587	39.458	7,03%
	b) Prepaid expenses	210.733	300.366	-89.632	-29,84%
140	Total assets	1.074.785.239	1.067.985.580	6.799.659	0,64%

Liability and equity items

CODE	LIABILITY ITEMS	31/12/2020	31/12/2019	CHANGE	
				Absolute	%
10	Amounts due to banks	-	1.593.734	35.750	2,24%
	a) At sight	1.189.695	1.254.274	-64.579	-5,15%
	b) Term or without notice	439.789	339.460	100.329	29,56%
20	Amount due to customers	471.159.844	414.251.524	56.908.320	13,74%
	a) At sight	433.374.033	398.234.197	35.139.836	8,82%
	b) Term or without notice	37.785.811	16.017.327	21.768.484	135,91%
30	Paybles represented by financial instruments	207.233.579	235.224.575	-27.990.996	-11,90%
	a) Bonds	-	-	-	-
	b) Certificates of deposit	207.233.579	235.224.575	-27.990.996	-11,90%
	c) Other financial instruments	-	-	-	-
40	Other liabilities	89.924.653	95.073.306	-5.148.653	-5,42%
50	Accrued expenses and deferred income	168.089	99.542	68.547	68,86%
	a) Accrued expenses	7.278	9.031	-1.753	-19,41%
	b) Deferred income	160.811	90.512	70.300	77,67%
60	Severance	565.287	539.776	25.511	4,73%
70	Reserves for risks and charges	1.105.888	1.279.071	-173.184	-13,54%
	a) Provision for pensions and similar obligations	-	-	-	-
	b) Tax reserves	17.705	109.231	-91.526	-83,79%
	c) Other reserves	1.088.183	1.169.841	-81.658	-6,98%
80	Risk provisions for credits not adjusting assets	36.000	17.893.990	-17.857.990	-99,80%
90	Technical reserves	211.655.719	212.069.962	-414.243	-0,20%
100	Subordinate liabilities	2.400.988	4.005.165	-1.604.178	-40,05%
110	Share capital	20.880.080	20.880.080	-	-
120	Share premium reserves	-	-	-	-
130	Reserves	50.888.362	54.609.401	-3.721.039	-6,81%
	a) Ordinary reserves	50.533.986	54.355.023	-3.821.037	-7,03%
	b) Treasury and share reserves	14.378	14.378	-	-
	c) Extraordinary reserves	-	-	-	-
	d) Other reserves	339.998	240.000	99.998	-
140	Revaluation reserves	18.144.811	14.709.554	3.435.257	23,35%
150	Retained earnings (losses) (+/-)	-1.656.680	-3.721.039	2.064.359	-
160	Net income (loss) for the period (+/-)	649.136	-523.061	1.172.197	-224,10%
	Minority interests	-	-	-	-
	Merger surplus	-	-	-	-
170	Total liabilities	1.074.785.239	1.067.985.580	6.799.659	0,64%

Profit and loss account

CODE	PROFIT AND LOSS ACCOUNT ITEMS	31/12/2020	31/12/2019	CHANGE	
				Absolute	%
	Insurance premiums	1.146.788	1.646.299	-499.511	-30,34%
10	Interest income and similar revenues	12.981.251	14.555.204	-1.573.953	-10,81%
	a) On loans to customers	12.067.488	13.755.796	-1.688.308	-12,27%
	b) On debt securities	918.441	697.307	221.134	31,71%
	c) On amounts due from banks	-4.678	102.100	-106.779	-104,58%
20	Interest expense and similar charges	-3.020.370	-3.691.217	670.847	-18,17%
	a) On loans to customers	-694.674	-928.917	234.242	-25,22%
	b) On bond paybles	-2.321.059	-2.761.196	440.137	-15,94%
	c) On amounts due from banks	-4.637	-1.104	-3.533	319,95%
30	Dividends and other revenues	1.157.687	-	1.157.687	100,00%
	a) On stocks	-	-	-	-
	b) On shares	-	-	-	-
	c) On group company shares	-	-	-	-
40	Commission income	6.179.843	6.210.154	-30.311	-0,49%
50	Commission expense	-789.255	-944.894	155.639	-16,47%
60	Profits (losses) on financial transactions (+/-)	1.770.364	1.436.330	334.034	23,26%
70	Other operating income	10.520.734	13.013.811	-2.493.077	-19,16%
80	Other overhead costs	-38.850	-66.074	27.224	-41,20%
90	Administrative expenses	-14.394.828	-14.471.187	76.359	-0,53%
	a) Personnel expenses	-8.998.927	-9.208.635	209.708	-2,28%
	a1. Salaries and wages	-6.402.786	-6.528.416	125.630	-1,92%
	a2. Welfare contributions	-1.721.041	-1.756.109	35.067	-2,00%
	a3. Severance	-578.790	-588.573	9.783	-1,66%
	a4. dormancy and similar	-	-	-	-
	a5. directors and auditors	-275.449	-278.444	2.995	-1,08%
	a6. other personnel costs	-20.861	-57.094	36.233	-63,46%
	b) Other administrative expenses	-5.395.901	-5.262.552	-133.349	2,53%
100	value adjustment on Intangible fixed assets	-239.536	-324.449	84.912	-26,17%
	of which on intangible assets leased	-41.657	-	-41.657	100,00%
110	Value adjustments on Tangible fixed assets	-12.159.084	-13.026.428	867.343	-6,66%
	of which on tangible assets leased	-9.389.384	-11.850.307	2.460.922	-20,77%
	Provisions for risks and charges	-1.555.999	-	-1.555.999	100,00%
120	Provisions for credit risks	-31.660	-256.000	224.340	-87,63%
130	Value adjustments for loans and provisions for guarantees and commitments	-	-	-	-
140	Writebacks on loans and on provisions for guarantees and commitments	-7.959.000	-5.924.307	-2.034.693	34,34%

150	Financial asset adjustments	2.064.973	1.022.518	1.042.455	101,95%
160	Financial asset writebacks	-	-	-	-
170	Operating income (loss)	-	-	-	-
180	Extraordinary income	-2.810.944	-820.239	-1.990.705	-242,70%
190	Extraordinary expense	3.764.059	626.009	3.138.050	501,28%
200	Extraordinary income (loss)	-226.755	-244.859	18.104	-7,39%
210	Variations in general banking risk reserves (+/-)	3.537.304	381.150	3.156.154	828,06%
220	Taxation for the year	-	-	-	-
230	Income (loss) for the period	-77.224	-83.972	6.748	-8,04%
240	Net income (loss) for the period	649.135	-523.061	1.172.196	224,10%

Guarantees and commitments

CODE	VOCI DEL PASSIVO	31/12/2020	31/12/2019	CHANGE	
				Absolute	%
10	Guarantees issued	11.672.947	15.407.333	-3.734.387	-24,24%
	a) Acceptances	121.667	1.785.985	-1.664.319	-93,19%
	b) Other guarantees	11.551.280	13.621.348	-2.070.068	-15,20%
20	Commitments	5.768.898	2.897.185	2.871.714	99,12%
	a) For certain use	-	-	-	-
	of which financial instruments	-	-	-	-
	b) For uncertain use	3.592.068	2.270.276	1.321.792	58,22%
	of which financial instruments	-	-	-	-
	c) Other commitments	2.176.830	626.909	1.549.921	247,23%
30	Total	17.441.845	18.304.518	-862.673	-4,71%

Deposits and loans to customers

DEPOSITS / LOANS	31/12/2020	31/12/2019	CHANGE	
			Absolute	%
Amounts due from customers	373.810.910	428.642.304	-54.831.395	-12,79%
Coverage	18,07%	13,63%	4,44%	32,53%
Coverage on doubtful loans	48,86%	41,13%	7,73%	18,80%
Loans/direct deposits	54,65%	65,13%	-10,47%	-16,08%
Direct deposits	683.953.698	658.177.704	25.775.994	3,92%
of which CD	207.233.579	235.224.575	-27.990.996	-11,90%
of which Bonds	2.400.988	4.005.165	-1.604.178	-40,05%
of which deposits at sight	433.069.296	398.985.858	34.083.439	8,54%
of which repos	27.441.068	15.785.597	11.655.471	73,84%
Indirect deposits	648.973.794	624.653.593	24.320.201	3,89%
a) Administered deposits	536.956.496	523.913.192	13.043.304	2,49%
of which administered funds	2.395.000	3.760.000	-1.365.000	-36,30%
b) Managed deposits	10.480.116	12.509.484	-2.029.368	-16,22%
of which managed funds	5.014.170	4.781.471	232.699	4,87%
of which insurance bank	-	240.000	-240.000	-100,00%
c) Custodian bank	116.112.309	105.160.130	10.952.179	10,41%
of which cash and cash equivalents	7.165.957	8.147.742	-981.785	-12,05%
Total Deposits	1.332.927.492	1.282.831.297	50.096.195	3,91%

It should be noted that the data relating to the Depository Bank Activity, for which BAC acts as a depository of the funds of BAC Investments SG Spa, is an “of which” included in the administered deposits.

Reclassified consolidated profit and loss account

CONSOLIDATED PROFIT AND LOSS ACCOUNT	31/12/2020	31/12/2019	CHANGE	
			Absolute	%
Interest margin	11.118.567	10.863.987	254.581	2,34%
Net commissions	5.390.588	5.265.260	125.328	2,38%
Profits and losses from financial transactions	1.770.364	1.436.330	334.034	23,26%
Other revenues	1.050.842	1.097.430	-46.587	-4,25%
Brokerage income	8.211.794	7.799.020	412.774	5,29%
Net income from insurance operations	1.146.788	1.646.299	-499.511	-30,34%
Intermediation margin	20.477.150	20.309.306	167.844	0,83%
Personnel expenses	-8.998.927	-9.208.635	209.708	-2,28%
Administrative expenses	-5.395.901	-5.262.552	-133.349	2,53%
Value adjustments on tangible and intangible assets	-1.411.580	-1.500.570	88.989	-5,93%
Operating expenses	-15.806.408	-15.971.757	165.348	-1,04%
Operating income	4.670.742	4.337.549	333.192	7,68%
Provisions and net adjustments to receivables and risks	-5.925.687	-5.157.789	-767.899	14,89%
Value adjustments on non-instrumental fixed assets	-1.555.999	-	-	-
Extraordinary income	3.537.304	381.150	3.156.154	828,06%
Income taxes for the year	-77.224	-83.972	6.748	-8,04%
Net income for the year	649.135	-523.061	1.172.196	224,10%

Aggregate data of the banking group and San Marino banking system - market share as of 31/12/2020 -

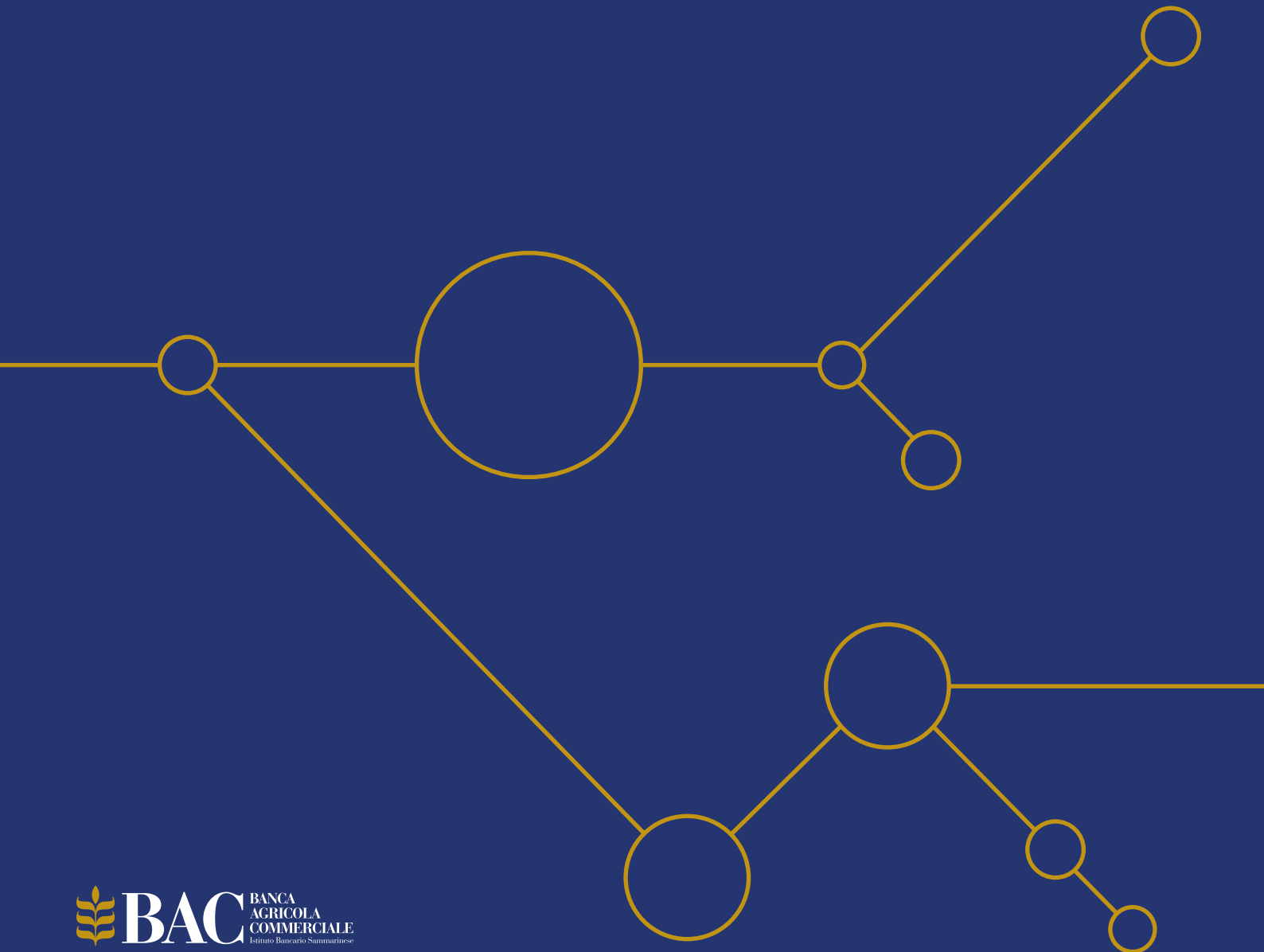
DESCRIPTION	System aggregate data	Aggregate data of the bank group	Group market share vs
	31/12/2020	31/12/2020	31/12/2020
Main asset items			
Loans	2.499.789	456.127	18,25%
of which non-performing loans (gross of value adjustments)	776.975	104.529	13,45%
Bonds and debt securities	1.090.759	234.107	21,46%
Interests and equity securities	207.369	89.975	43,39%
Deposits			
Direct deposits	3.642.881	683.954	18,78%
of which deposits to customers at sight	2.092.450	433.069	20,70%
of which certificates of deposit	1.035.391	207.234	20,02%
of which bonds	282.366	2.401	0,85%
Indirect deposits	1.669.025	656.140	39,31%
of which administered securities	1.231.656	534.561	43,40%
of which classical asset managements	321.195	5.466	1,70%
of which depositary bank activities	116.173	116.112	99,95%
Total deposits	5.311.906	1.340.093	25,23%
Deposits and interbank loans			
Credits vs banks	518.248	143.523	27,69%
Debts vs banks	7.770	1.594	20,51%
Shareholders' equity and total assets			
Shareholders' equity	269.263	88.906	-
Total assets	4.181.397	1.074.785	-
Operating indicators			
loans / direct deposits	68,62%	66,69%	-
Gross non-performing loans / gross loans	31,08%	22,92%	-
Shareholders' equity / total assets	6,44%	8,27%	-

San Marino, 28/05/2021

The Chairman

08

Annex 1 (board resolution of 29/10/2020 appraisals)



AVVISO DI CONVOCAZIONE BAC

- Ai Sigg.ri Consiglieri
- Ai Sigg.ri Sindaci

Loro Sedi

San Marino, il 22 ottobre 2020

La S.V. è invitata all'Adunanza Consiliare che avrà luogo il giorno di **giovedì 29 ottobre alle ore 14.30** presso la Direzione Generale di BANCA AGRICOLA COMMERCIALE Istituto Bancario Sammarinese S.p.A. in Dogana – Via 3 Settembre, 316 per trattare il seguente:

ORDINE DEL GIORNO

.....
OMISSIS
.....

9. Proposta di rivalutazione dei beni dell'impresa a norma dell'art. 22 della Legge 7 luglio 2020 n.113;

.....
OMISSIS
.....

Distinti saluti,

BANCA AGRICOLA COMMERCIALE S.p.A.

Il Vice Presidente

Emanuele Rossini

Verbale della riunione del Consiglio di Amministrazione di BANCA AGRICOLA COMMERCIALE Istituto Bancario Sammarinese S.p.A. tenutasi il 29 ottobre 2020 presso la Direzione Generale di Dogana – Via 3 Settembre, 316.

Oggi 29 ottobre 2020, alle ore 14.30, convocati a mezzo regolari avvisi, notificati a norma di Legge e Statuto, si sono riuniti, i componenti del Consiglio di Amministrazione dell'Istituto, signori:



Luigi Lonfernini	Presidente,
Emanuele Rossini	Vice Presidente
Wladimir Biasia	Consigliere
Francesco Gennari	Consigliere
Giancarlo Protti	Consigliere.

È presente l'intero Collegio Sindacale nelle persone di Stefania Maria Gatti, in qualità di Presidente e dei sindaci Alberto Vaglio e Giorgio Rusticali.

La funzione di Segretario viene svolta dal sig. Marco Gatti, responsabile della u.o. Segreteria Legale e Affari Societari.

Assume la Presidenza il Presidente Lonfernini, il quale rende noto che il verbale dell'odierna riunione consiliare verrà sottoposto in visione una volta verbalizzati gli odierni interventi di Amministratori e Sindaci per consentire agli interessati eventuali osservazioni sulla verbalizzazione dei lavori stessi, essendo le deliberazioni del Consiglio di Amministrazione validamente formulate, seduta stante, per effetto della votazione.

.....

OMISSIS

.....

Punto n. 9 all'Ordine del Giorno

Proposta di rivalutazione dei beni dell'impresa a norma dell'art. 22 della Legge 7 luglio 2020 n.113

Delibera n. 14

Entra nella sala consiliare la responsabile della u.o. Contabilità e Bilancio, sig.ra Crescentini la quale rappresenta al Consiglio la possibilità, ammessa dall'art. 22 della Legge 113 del 2020, di rivalutare categorie di beni omogenei dell'impresa.

Il Direttore porta a conoscenza del Consiglio l'art. 22 della Legge 7 luglio 2020 n.113, il quale permette alle società di effettuare una rivalutazione dei beni



strumentali iscritti nel Registro dei beni ammortizzabili e/o inventari al 31 dicembre 2019.

Tale rivalutazione, da effettuarsi entro il 31 ottobre 2020, è sottoposta alle seguenti condizioni:

1. i valori iscritti in Bilancio a seguito di rivalutazione devono effettivamente indicare il presumibile realizzo di questi ultimi;
2. gli Amministratori ed il Collegio Sindacale devono indicare e motivare rispettivamente in Nota Integrativa e nella Relazione del Collegio Sindacale i criteri seguiti nella rivalutazione delle varie categorie di beni; salvo che sia intervenuta idonea perizia giurata di stima da parte di un professionista con competenze tecniche ed iscritto al relativo albo o ordine sammarinese;
3. i saldi attivi corrispondenti ai beni oggetto di rivalutazione vanno accantonati in apposita Riserva da utilizzarsi esclusivamente per la copertura di perdite future o per aumentare il capitale sociale;
4. il saldo attivo di rivalutazione, se compreso tra i 2,5 milioni e i € 5 milioni, è assoggettato ad una imposta del 4% con un minimo di euro 125.000, da computarsi in diminuzione del Fondo di riserva di rivalutazione.
5. La rivalutazione deve riguardare tutti i beni appartenenti alla stessa categoria omogenea.

Il Direttore Generale, supportato da apposite perizie immobiliari, propone al Consiglio di effettuare la rivalutazione sui seguenti immobili strumentali:

1. sede della Direzione Generale in Dogana, via Tre Settembre n°316, periziata per un valore di € 11.616.938,33, iscritta a Bilancio 2019 per € 9.874.948,15;
2. sede della filiale di Dogana, piazza Marino Tini, 26, periziata per un valore di € 5.211.378, iscritta a Bilancio 2019 per € 3.904.615,50;



3. sede della filiale di Borgo Maggiore, in via Oddone Scarito, 84, periziata per un valore di € 1.460.012,62; iscritta a Bilancio 2019 per € 1.244.706,17;
4. sede della filiale di Tavolucci, via XXVIII luglio, 212 – Borgo Maggiore, periziata per un valore di € 780.615,00; iscritta a Bilancio 2019 per € 706.228,40;
5. sede della filiale di Città, via Piana n. 5, periziata per un valore di € 749.683; iscritta a Bilancio 2019 per € 756.746,50;

Dalle perizie eseguite emerge una rivalutazione totale pari ad € 3.338.445,73, escludendo la valutazione peritale dell'immobile della filiale di Città in quanto emerge un minor valore rispetto a quanto iscritto in bilancio per euro 7.063,50. L'imposta che dovrà essere versata entro il bimestre successivo a quello in cui sarà perfezionata la rivalutazione (29/10/220 data delibera) e sarà pari a € 133.537,83 da registrarsi a deconto della riserva di Rivalutazione che si dovrà alimentare per € 3.204.907,90 e che ne determinerà un aumento del Patrimonio Netto di pari importo.

Conseguentemente alla rivalutazione sulla vigilanza prudenziale, in base alle simulazioni effettuate si verificheranno tali effetti:

- Aumento del Patrimonio di Vigilanza di importo pari alla rivalutazione;
- Aumento del coefficiente di solvibilità;
- Riduzione del margine sulla trasformazione delle scadenze, quale limite di vigilanza prudenziale indicato dal Regolamento 2007-07, che sarà calcolato sui dati consuntivi al 31/12/2020.
- Aggravio dei costi amministrativi annuali per ammortamenti per euro 100.153,37.

Si riporta una tabella riepilogativa con la determinazione singole rivalutazioni:

Descrizione	Valore Storico	Quota Annua di Ammortamento	F.do ammortamento 31/12/2019	Residuo da Ammortizzare 31/12/2019	perizia estimativa	Delta Perizia/Residuo da ammortizzare	Costo Storico post rivalutazione	quote di ammortamento new 2020
BORGO MAGGIORE	2.020.450,43	60.613,51	775.744,26	1.244.706,17	1.460.012,62	215.306,45	2.235.756,88	67.072,71

DOGANA P.ZZA TINI	9.523.841,96	285.715,26	5.619.226,46	3.904.615,50	5.211.378,00	1.306.762,50	10.830.604,46	324.918,13
DOGANA DG	14.447.146,60	433.414,40	4.572.198,45	9.874.948,15	11.616.938,33	1.741.990,18	16.189.136,78	485.674,10
TAVOLUCCI	1.158.477,41	34.754,32	452.249,01	706.228,40	780.615,00	74.386,60	1.232.864,01	36.985,92
FIL.CITTA'	963.236,79	28.897,10	206.490,29	756.746,50	749.683,00	7.063,50	963.236,79	28.897,10
	28.113.153,19	843.394,60	11.625.908,47	16.487.244,72		3.331.382,23	31.451.598,9	943.548,0

- La rivalutazione insiste sui beni che hanno valori di perizia più altri rispetto al residuo da ammortizzare: **€ 3.338.445,73**
- incremento costi per ammortamento annuali: **€ 100.153,37**
- imposta da versare 4% sul saldo di rivalutazione con un minimo di € 125.000: **€ 133.537,83** da versarsi entro il bimestre successivo in cui è stata perfezionata la rivalutazione e non può essere compensata con crediti di imposta IGR.

Totale riserva di Rivalutazione € 3.204.907,90

Il DG rappresenta che, in forza di tale rivalutazione, aumenterà per lo stesso importo il Patrimonio di Vigilanza comportando un incremento del coefficiente di solvibilità di circa l'1%, che dovrebbe pertanto arrivare a circa il 10,60%.

Il Consiglio, verificato il disposto di legge e presa visione delle perizie estimative messe a disposizione, assunto il parere favorevole del Collegio Sindacale, autorizza la rivalutazione dei beni immobili strumentali all'attività d'impresa nei termini sopra indicati, imputando a Patrimonio Netto un importo pari a € 3.204.907,90.

Le perizie estimative giurate, tutte redatte dal professionista ing. Stefano Ciacci, iscritto al rispettivo albo professionale sammarinese, e già depositate presso la Cancelleria Civile del Tribunale Unico, vengono allegate al presente verbale sotto la lettera "N" per complessive n.79 pagine.

Il Direttore Generale rappresenta che, a norma di legge, le perizie giurate di stima dovranno essere riportate fedelmente nella Nota Integrativa al Bilancio 2020 e, assieme alla presente delibera, depositate con l'intero fascicolo di Bilancio 2020 presso il competente ufficio della P.A.

OMISSIS

Alle ore 18.40 dopo aver fissato la data del 11 novembre 2020 alle ore 14,30 per la prossima adunanza consiliare, il Presidente dichiara chiusa la riunione.

Il Presidente

Il Segretario

F.to) Luigi Lonfernini

F.to) Marco Gatti

San Marino li, 20 dicembre 2021

Certifico io sottoscritto Dott. Maria Cristina Lonfernini, notaio Pubblico in San Marino, con studio in Borgo Maggiore (RSM), via O. Scarito n. 84, che la presente copia per estratto, composta da numero 6 (sei) facciate, inclusa la presente, del Verbale del Consiglio di Amministrazione di Bac S.p.A. con sede in Dogana in Via Tre Settembre n.316, iscritta nel Registro delle Società al n. 5422, COE SM00087, tenutosi il 29.10.2020, è del tutto conforme al suo originale che trovasi scritto dalla pagina 22879 alla pagina 22959 del Libro Verbali del Consiglio di Amministrazione della citata società, libro numerato, bollato, vidimato a norma dell'art. 72 della Legge n. 47/2006 in data 15.06.2018, regolarmente tenuto, esibitomi e col quale è stata da me collazionata. Le parti omesse non sono contraddette da quelle riportate.



REPUBBLICA DI SAN MARINO

23 Ottobre 2020/1719 D.f.R.

OGGETTO:

RELAZIONE PERITALE DI STIMA

Località: Borgo Maggiore (RSM) – Via Oddone Scarito n° 11-13-15
Foglio di mappa 29 particella 90 Sub. 1-2

COMMITTENTE:

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

PROPRIETA'

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

TECNICO INCARICATO:



Ing. Stefano Ciacci

*Dottore in Ingegneria Civile
Progettazione e Consulenza*





Ing. Stefano Ciacci

*Dottore in Ingegneria Civile
Progettazione e Consulenza*

Via Ottava Gualdaria, 1/A 47895 Domagnano (rsm) – COE SM 18763
Telefono +378 81 880036 – Cell. 3357100866
ciacci.stefano@alice.sm

RELAZIONE PERITALE DI STIMA

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1) ATTRIBUZIONE INCARICO

La presente perizia estimativa è stata redatta in adempimento all'incarico ricevuto in data 19 Ottobre 2020 dalla Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.. Trattasi di stimare il valore di un immobile ad uso ufficio funzione C5 con annessi locali accessori funzione C13 siti a Borgo Maggiore (RSM) in Via Oddone Scarito n° 11-13-15 di proprietà della Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.. Gli immobili sono contraddistinti al vigente Catasto Fabbricati di questa Repubblica al foglio di mappa nr. 29, particella 90, subalterni:1-2.

2) RICHIEDENTE

S.p.A. Banca Agricola Commerciale Istituto Bancario Sammarinese con sede in Dogana (R.S.M).

3) PROPRIETA' CATASTALE

Gli immobili, da una verifica presso l'UTC di San Marino, risultano di piena proprietà della S.p.A. Banca Agricola Commerciale Istituto Bancario Sammarinese.

4) DATI IDENTIFICATIVI CATASTALI

BAC/IBS S.P.A.		1/1		Proprietà									
Partita	Parrocchia	Via, Strada	Foglio	Num.	Sub.	Cat.	Classe	V.U.	mc	mq	R.C.	A.C.	
115	2	VIA ODDONE SCARITO	29	90	1	d4	U	0.0	0.0	0.0	557,77	89/0	
115	2	VIA ODDONE SCARITO	29	90	2	C4	6	0.0	0.0	51.0	6,32	89/0	



Ing. Stefano Ciacci

*Dottore in Ingegneria Civile
Progettazione e Consulenza*

Via Ottava Gualdaria, 1/A 47895 Domagnano (rsm) – COE SM 18763
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5) DESTINAZIONE URBANISTICA

L'area di terreno su cui sorge l'immobile ricade in zona destinata dal vigente Piano Regolatore Generale a ZONA A1-02 (Borgo Maggiore): "Zone Omogenee di Carattere Storico Ambientale" area di intervento: "Risanamento Conservativo".

6) REGOLARITA' URBANISTICA ED EDILIZIA

Da una ricerca effettuata dallo scrivente presso l'Ufficio per l'Edilizia di questa Repubblica è emerso che al Foglio di Mappa 29 Particella 90 sono archiviate diverse pratiche edilizie; l'ultima che ha interessato l'immobile in oggetto è la pratica CON. 4258 approvata in data 5 Novembre 2002 avente per oggetto "Risanamento Conservativo". Nel sopralluogo effettuato in data 20 ottobre 2020 sono emerse difformità tra lo stato di fatto e di progetto con un aumento di S.U. entro il 12% di tolleranza ammessa dalle normative vigenti, ma fuori dal perimetro di proprietà delimitato dall'allibramento catastale depositato presso l'U.T.C.. Nel corso del sopralluogo sono emerse anche delle difformità tra le divisioni interne rilevate e quelle riportate nel progetto approvato, si consiglia alla proprietà di presentare una pratica di sanatoria straordinaria, oppure UDT per regolarizzare le difformità riscontrate. L'allibramento catastale dell'intero edificio depositato presso dall'U.T.C. in data 7 Giugno 1984 non è conforme allo stato di fatto attuale.

7) ANNO DI COSTRUZIONE

Risanamento conservativo nell'anno 2002.



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8) CERTIFICAZIONE ENERGETICA (INDICATIVA)

Presumibilmente Classe Energetica “G”.

9) VINCOLI LEGALI E NON

Non verificato.

10) GIUDIZIO TECNICO ESTIMATIVO E DESCRIZIONE

Il fabbricato realizzato con rifiniture nella media o leggermente superiori è stato completamente ristrutturato internamente nell’anno 2002.

L’edificio si sviluppa su 4 livelli:

- **Piano secondo sottostante:** questo piano ha un’altezza interna di ml. 2.40 dove si trovano dei locali accessori con destinazione archivio;
- **Piano primo sottostante:** questo piano ha un’altezza interna che varia da ml. 3.00 a ml. 2.20 ed è destinata alla seconda filiale interna con la presenza di una bussola di ingresso e bancomat, ufficio funzione C5, zona Caveau e locali tecnici. Per accedere ai piani superiori oltre alla scala interna è presente un ascensore;
- **Piano terra:** questo piano ha un’altezza interna di ml. 3.10 e si trova l’ingresso principale della filiale della BAC/IBS S.p.a. di Borgo Maggiore; sono presenti la zona cassa dell’istituto di credito, un ufficio, un ripostiglio ed il vano scala/ascensore che collega questo livello con il piano primo sottostante ed il piano primo;
- **Piano primo:** questo piano ha un’altezza interna di ml. 3.00 e vi si trovano diversi uffici con funzione C5.



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11) TRACCIA PER IL PROCEDIMENTO DI STIMA

- a) Procedura per la determinazione delle superfici oggetto di stima.
- b) Determinazione del valore unitario di riferimento per beni simili.
- c) Coefficienti correttivi della superficie delle unità immobiliari.
- d) Relazione finale di stima.
- e) Conclusioni.

a) DETERMINAZIONE DELLE SUPERFICI

Si adatteranno le superfici rilevate dall'allibramento catastale depositato presso l'U.T.C. in quanto lo stato di fatto non corrisponde con la delimitazione della proprietà catastale:

- **Determinazione superficie del piano secondo sottostante con funzione C13, locali accessori ad uso archivio:**

69.10 mq circa con destinazione C13;

- **Determinazione superficie del piano primo sottostante con funzione C13-C5, locali accessori, ufficio e terrazzo:**

207.90 mq circa con destinazione C13-C5;

19.50 mq circa con destinazione terrazzo;

- **Determinazione superficie del piano terra con funzione C5-C13, locali ad uso ufficio ed accessori:**

151.50 mq circa con destinazione C5-C13;

77.90 mq circa con destinazione terrazzo;



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– **Determinazione superficie del piano primo con funzione C5-C13, locali ad uso ufficio ed accessori:**

130,75 mq circa con destinazione C5-C13.

b) DETERMINAZIONE VALORE UNITARIO DI RIFERIMENTO PER IL BENE IN ESAME

Con riferimento a transazioni in zone simili, visto la particolarità del bene, si può affermare che il valore di mercato di un edificio aventi le caratteristiche di quella oggetto di stima può essere compreso tra 2.700,00 e 2.900,00 €/mq.

Nel caso in esame, si devono valutare,

In positivo:

- Edificio indipendente con posizione strategica nel Centro Storico di Borgo Maggiore di fronte a Via Oddone Scarito che collega Borgo Maggiore con il centro storico di San Marino Città;
- Buone finiture esterne;
- Buone finiture interne;
- Recentemente ristrutturato.

In negativo:

- Mancanza di posti auto di proprietà esterni ad uso dei clienti.

Per il caso in esame a parere dello scrivente si può indicare quale valore unitario: **2.800,00 €/mq.**

a. COEFFICIENTI CORRETTIVI DELLA SUPERFICIE DELLE UNITA' IMMOBILIARI



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Verrà assegnato un coefficiente correttivo di 0.80 al piano primo sottostante in quanto, sebbene destinato a seconda filiale interna, vi è la maggior presenza di locali con funzione secondaria rispetto a quella principale. Al piano terra invece, vista la presenza di ampie vetrate fronte strada ed un nuovo arredamento interno ad uso istituto di credito, si procederà ad un incremento del valore medio del 20% applicando un coefficiente di 1.20. Il terrazzo di ampia superficie presente al piano terra necessita di una ristrutturazione ed attualmente non è utilizzato; per questo motivo gli è stato assegnato un coefficiente correttivo di 0.33 anziché 0.50 come di prassi.

b. RELAZIONE DI STIMA

Per quanto esposto in precedenza si conclude con la relazione di stima indicata nella seguente tabella:

SUPERFICI EDIFICIO FOGLIO 29 PARTICELLA 90

	mq catastali	abbattimento/incremento	Superficie convenzionale (mq)	Destinazione	Valore €/mq	Valore Complessivo (€.)
PIANO SECONDO SOTTOSTANTE						
Superficie	69,10	0,50	34,55	C1-C13	2800,00	96.740,00 €
PIANO PRIMO SOTTOSTANTE						
Superficie	207,9	0,80	166,32	C1-C13	2800,00	465.696,00 €
Terrazzo	19,50	0,50	9,75		2800,00	27.300,00 €
PIANO TERRA						
Superficie	151,5	1,20	181,80	C5-C13	2800,00	509.040,00 €
Terrazzo	77,90	0,33	25,71		2800,00	71.979,60 €
PIANO PRIMO						
Superficie	130,75	1,00	130,75	C5-C13	2800,00	366.100,00 €
TOTALE			548,88		TOTALE	1.536.855,60 €



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c. CONCLUSIONI

L'immobile con le superfici e destinazioni d'uso attuale è valutato **1.536.855,60 €**.
(Unmilione cinquecentotrentaseimilaottocentocinquantacinque/60 euro).

12) ASSENZA CONFLITTI DI INTERESSI

Il sottoscritto competente ad adottare la valutazione si stima degli immobili di cui in oggetto, dichiara di non trovarsi in situazioni di incompatibilità né in condizioni di conflitto di interessi anche potenziale.

13) ASSENZA DI MATERIALI TECNICI NOCIVI

Nulla da segnalare.

14) VARIE E COMMERCIALIZZABILITÀ

L'edificio è in ottimo stato di conservazione. Al momento la commerciabilità è media/alta.

15) VALORE DI RICOSTRUZIONE EDIFICIO

Superficie commerciale immobili (uffici e funzioni principali al 100% - piani con funzioni accessorie, portici/terrazzi e balconi al 50%) = 543.10 mq

Costo di costruzione al nuovo = 1.900,00 €/mq circa

Valore di Ricostruzione



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= 543.10 x 1.900,00= **1.031.890,00 €**. circa

16) VALORE DI PRONTO REALIZZO

1.536.855,60 x 0,95 = **1.460.012,82 €**. (Unmilionequattrocentosessantamiladodici/82 euro);

17) ATTESTAZIONE SULLA CORRETTEZZA DELLA PERIZIA

Il sottoscritto dichiara di sottoscrivere la presente perizia confermando la veridicità, la correttezza e la certezza delle affermazioni, rilevazioni e più in generale dei contenuti in essa riportati.

18) DOCUMENTAZIONE ALLEGATA

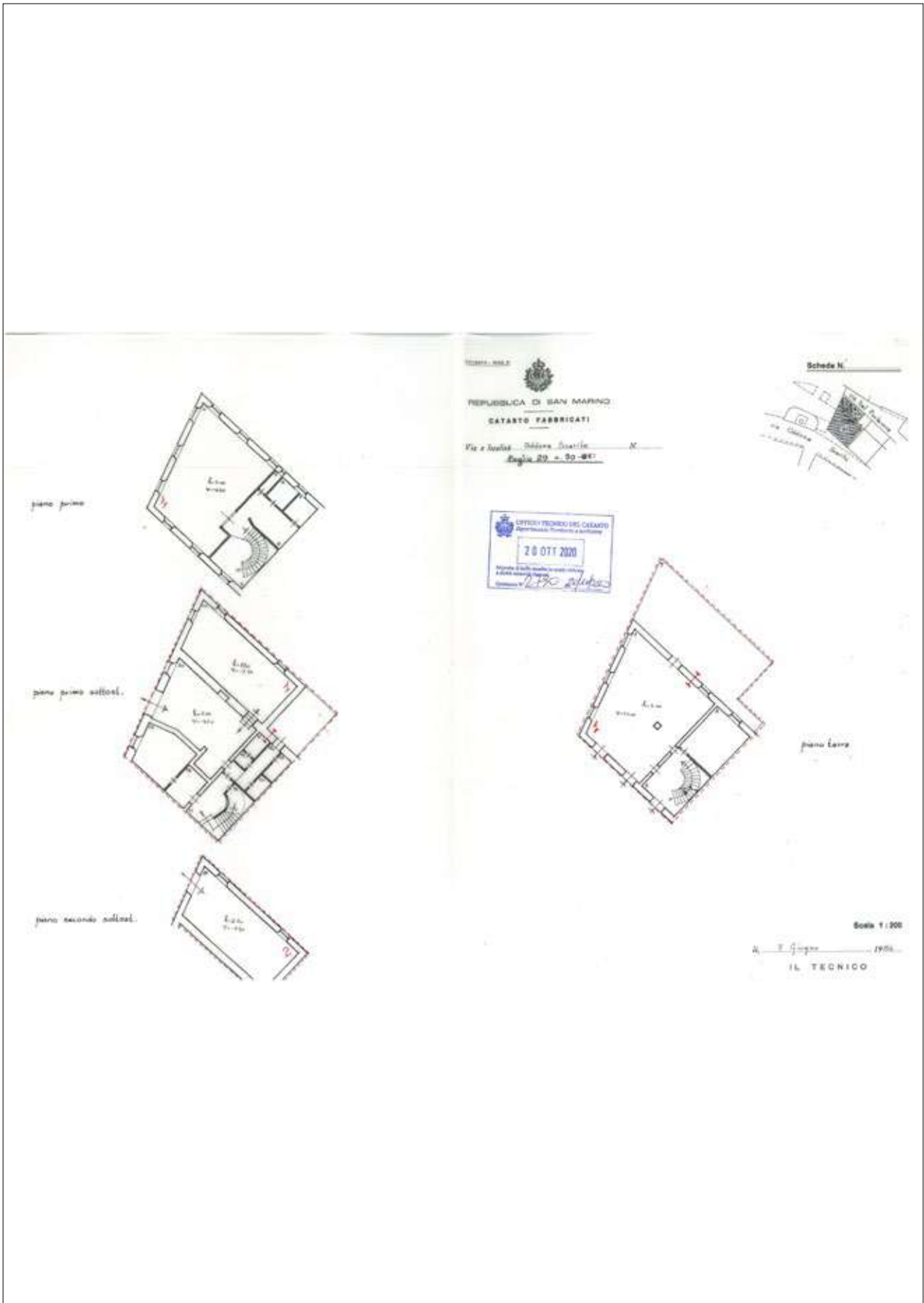
- Allibramento catastale approvato;
- Illustrazione fotografica.

19) DATA

San Marino, li 23 Ottobre 2020

20) TIMBRO

In fede
Dott. Ing. Ciacci Stefano







REPUBBLICA DI SAN MARINO

15 Ottobre 2020/1719 D.f.R.

OGGETTO:

RELAZIONE PERITALE DI STIMA

Località: Dogana (RSM) – Piazza M. Tini, 24-25°-25b-25c-26
Foglio di mappa 7 particella 210 Sub. 0

COMMITTENTE:

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

PROPRIETA'

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

TECNICO INCARICATO:



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RELAZIONE PERITALE DI STIMA

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1) ATTRIBUZIONE INCARICO

La presente perizia estimativa è stata redatta in adempimento all'incarico ricevuto in data 12 Ottobre 2020 dalla Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.. Trattasi di stimare il valore di un immobile polifunzionale ad uso ufficio funzione C5 e Funzione C8 con annessi locali accessori funzione C13 siti a Dogana (RSM) in Piazza M. Tini n° 24-25a-25b-25c-26, di proprietà della Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.. Gli immobili sono contraddistinti al vigente Catasto Fabbricati di questa Repubblica al foglio di mappa nr. 7, particella **210**, subalterno:0.

2) RICHIEDENTE

S.p.A. Banca Agricola Commerciale Istituto Bancario Sammarinese con sede in Dogana (R.S.M).

3) PROPRIETA' CATASTALE

Gli immobili, da una verifica presso l'UTC di San Marino, risultano di piena proprietà della S.p.A. Banca Agricola Commerciale Istituto Bancario Sammarinese.

4) DATI IDENTIFICATIVI CATASTALI

BAC/IBS S.P.A.		1/1 Proprietà										
Partita	Parrocchia	Via, Strada	Foglio	Num.	Sub.	Cat.	Classe	V.U.	mc	mq	R.C.	A.C.
115	10	PIAZZA MARINO TINI	7	210	0	04	U	0.0	0.0	0.0	2945.04	



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5) DESTINAZIONE URBANISTICA

L'area di terreno su cui sorge il complesso immobiliare ricade in zona destinata dal vigente Piano Regolatore Generale a ZONA R2-04 (Dogana): "Aree di ristrutturazione edilizia ed urbanistica a Piano Particolareggiato".

6) REGOLARITA' URBANISTICA ED EDILIZIA

Da una ricerca effettuata dallo scrivente presso lo Sportello dell'Ufficio per l'Edilizia di questa Repubblica è emerso che al Foglio di Mappa 7 Particella 210 sono archiviate diverse pratiche edilizie; l'ultima che ha interessato l'immobile in oggetto è la CON. 6974 approvata in data 22 settembre 2008 avente per oggetto "Costruzione in località Dogana di un sottopasso pedonale per collegamento funzionale di 2 edifici prospicienti ad uso della Banca Agricola di San Marino"; questo progetto riguarda esclusivamente il piano primo sottostante del fabbricato. L'ultima pratica edilizia che ha interessato anche gli altri piani della filiale è la CTE/10312, approvata in data 8 marzo 1993, su cui è stato rilasciato il certificato di abitabilità e conformità edilizia con funzione "Istituto di Credito" in data 12 Dicembre 1995 con delibera n° 25. Nel sopralluogo effettuato in data odierna sono emerse difformità tra il progetto approvato e lo stato di fatto. Le più rilevanti riguardano l'ampliamento del portico di ingresso al piano terra di mq 30.00 circa e la modifica alla finestratura presente nel fianco destro (lato Rimini) con un aumento di mq 1.60 per tutti e 4 i piani fuori terra; queste difformità sono nella tolleranza del 12% della S.U. approvata prevista dalle normative vigenti. Le altezze dei piani sono conformi con il progetto approvato ad eccezione dell'altezza del piano terra che risulta essere di ml. 3.30 anziché ml. 3.50 come da progetto approvato. La larghezza del tunnel di collegamento tra i due edifici posto sotto la superstrada è di ml. 2.37 anziché ml. 2.20 come da progetto. A tutti i piani sono presenti modifiche interne importanti con la creazione, oppure con l'accorpamento, di nuovi uffici. In ragione di ciò il sottoscritto consiglia vivamente di redigere al più presto una



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pratica di stato di fatto art. 160 bis (UDT) Legge 140/2017 per regolarizzare lo stato dei luoghi attuale. L'allibramento catastale del piano terra, primo, secondo, terzo e copertura depositato presso l'Ufficio Tecnico del Catasto in data 4 agosto 1998, non è conforme con lo stato di fatto rilevato in quanto presenta diverse distribuzioni dei locali interni; il piano primo sottostante non è aggiornato in toto con la pratica del 2008 e con lo stato di fatto attuale.

7) ANNO DI COSTRUZIONE

Ristrutturazione con ampliamento nell'anno 1993 e del piano primo sottostante nell'anno 2008.

8) CERTIFICAZIONE ENERGETICA (INDICATIVA)

Presumibilmente Classe Energetica "D oppure E".

9) VINCOLI LEGALI E NON

Non verificato.

10) GIUDIZIO TECNICO ESTIMATIVO E DESCRIZIONE

Il fabbricato è realizzato con rifiniture interne ed esterne sopra la media, anche attraverso l'installazione di un impianto fotovoltaico da 20kW. Esternamente l'edificio presenta alcune superfici rifinite con delle lastre di marmo botticino mentre gli infissi a facciata continua sono in alluminio con vetri camera oscurati del tipo "stop sol".

L'edificio si sviluppa su 5 livelli:



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- Piano Primo Sottostante: questo piano ha un'altezza interna di ml. 2.90 dove si trovano dei locali accessori, il caveau con i locali per le cassette di sicurezza, uffici e l'ingresso al sottopasso pedonale che attraversa la superstrada;
- Piano Terra: questo piano ha un'altezza interna di ml. 3.30 ed è composto per la stragrande maggioranza dagli sportelli bancari per il pubblico, uffici, terrazzi e portici;
- Piano Primo: questo piano è adibito ad uffici;
- Piano Secondo: questo piano è adibito ad uffici;
- Piano Secondo: questo piano è adibito ad uffici;
- Piano copertura: terrazza calpestabile.

11) TRACCIA PER IL PROCEDIMENTO DI STIMA

- a) Procedura per la determinazione delle superfici oggetto di stima.
- b) Determinazione del valore unitario di riferimento per beni similari.
- c) Coefficienti correttivi della superficie delle unità immobiliari.
- d) Relazione finale di stima.
- e) Conclusioni.

a) DETERMINAZIONE DELLE SUPERFICI

Si adotteranno le superfici rilevate dall'allibramento catastale depositato presso l'U.T.C., mentre per il piano primo sottostante si adotteranno quelle ricavate dal progetto approvato CON. 6974 del 22 settembre 2008:

- **Determinazione superficie del piano primo sottostante con funzione C13, locali accessori, il caveau con i locali per le cassette di sicurezza, uffici ad uso interno e l'ingresso al sottopasso pedonale che attraversa la superstrada:**



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476,00 mq circa con destinazione C13;

– **Determinazione superficie del piano terra con funzione C8, composto dagli sportelli bancari aperti per il pubblico, uffici, terrazzi e portici:**

326,00 mq circa con destinazione C8-C5-C13;

150,00 mq circa con destinazione portico/terrazzi;

– **Determinazione superficie del piano primo composto da uffici ed accessori agli stessi:**

360,00 mq circa con destinazione C5-C13;

– **Determinazione superficie del piano secondo composto da uffici ed accessori agli stessi:**

360,00 mq circa con destinazione C5-C13;

– **Determinazione superficie del piano terzo composto da uffici ed accessori agli stessi:**

360,00 mq circa con destinazione C5-C13;

– **Determinazione superficie del piano copertura calpestabile:**

360,00 mq circa a lastrico solare;

b) DETERMINAZIONE VALORE UNITARIO DI RIFERIMENTO PER IL BENE IN ESAME

Con riferimento a transazioni in zone similari, visto la particolarità del bene, si può affermare che il valore di mercato di un edificio aventi le caratteristiche di quella oggetto di stima può essere compreso tra 2.900,00 e 3.000,00 €/mq per i piani : primo sottostante, primo, secondo e terzo e tra 4.000,00 e 4.100,00 €/mq per il piano terra adibito a sportelli bancari aperti al pubblico.



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Nel caso in esame, si devono valutare,

In positivo:

- Posizione strategica per una banca all'ingresso del confine principale della Repubblica di San Marino con l'Italia;
- Ottime finiture esterne;
- Discrete finiture interne;

In negativo:

- Mancanza di posti auto di proprietà.

Per il caso in esame a parere dello scrivente si può indicare quale valore unitario per i piani: primo sottostante, primo, secondo e terzo: **2.900,00 €/mq**, per il piano terra: **4.100,00 €/mq**.

a. COEFFICIENTI CORRETTIVI DELLA SUPERFICIE DELLE UNITA' IMMOBILIARI

Verrà incrementato il valore del piano accessorio al piano primo sottostante di un 60% in ragione dell'elevato grado di finitura dello stesso e per la presenza dei locali adibiti a caveau.

b. RELAZIONE DI STIMA

Per quanto esposto in precedenza si conclude con la relazione di stima indicata nella seguente tabella:



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SUPERFICI EDIFICIO FOGLIO 7 PARTICELLA 210

	mq	abbattimento/ incremento	Superficie convenzionale (mq)	Destinazione	Valore €/mq	Valore Complessivo (€)
PIANO PRIMO SOTTOSTANTE						
Superficie	476,00	0,80	380,8	C13	2900,00	1.104.320,00 €
PIANO TERRA						
Superficie	326,00	1,00	326	C8-C13	4100,00	1.336.600,00 €
Terrazzi e portici	150,00	0,50	75,00		2900,00	217.500,00 €
PIANO PRIMO						
Superficie	360,00	1,00	360,00	C5-C13	2900,00	1.044.000,00 €
PIANO SECONDO						
Superficie	360,00	1,00	360,00	C5-C13	2900,00	1.044.000,00 €
PIANO TERZO						
Superficie	360,00	1,00	360,00	C5-C13	2900,00	1.044.000,00 €
			1861,80		TOTALE	5.790.420,00 €

c. CONCLUSIONI

L'immobile con le superfici e destinazioni d'uso attuale è valutato **5.790.420,00 €**.
(Cinquemilionisettecentonovantamilaquattrocentoventi/00 euro).

12) ASSENZA CONFLITTI DI INTERESSI



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Il sottoscritto competente ad adottare la valutazione si stima degli immobili di cui in oggetto, dichiara di non trovarsi in situazioni di incompatibilità né in condizioni di conflitto di interessi anche potenziale.

13) ASSENZA DI MATERIALI TECNICI NOCIVI

Nulla da segnalare.

14) VARIE E COMMERCIALIZZABILITA'

L'edificio è in ottimo stato di conservazione. Al momento la commerciabilità è media/alta.

15) VALORE DI RICOSTRUZIONE EDIFICIO

Superficie commerciale immobili (uffici e funzioni principali al 100% - piani con funzioni accessorie, portici/terrazzi e balconi al 50%) = 1.861,80 mq

Costo di costruzione al nuovo = 1.900,00 €/mq

Valore di Ricostruzione

= 1.861,80 x 1.900,00 = **3.537.420,00 €.**

16) VALORE DI PRONTO REALIZZO

5.790.420,00 x 0,90 = **5.211.378,00 €.** (Cinquemilioniduecentoundicimilatrecentosettantotto /00 euro);



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17) ATTESTAZIONE SULLA CORRETTEZZA DELLA PERIZIA

Il sottoscritto dichiara di sottoscrivere la presente perizia confermando la veridicità, la correttezza e la certezza delle affermazioni, rilevazioni e più in generale dei contenuti in essa riportati.

18) DOCUMENTAZIONE ALLEGATA

- Allibramento catastale approvato;
- Illustrazione fotografica.

19) DATA

San Marino, li 15 Ottobre 2020

20) TIMBRO

In fede

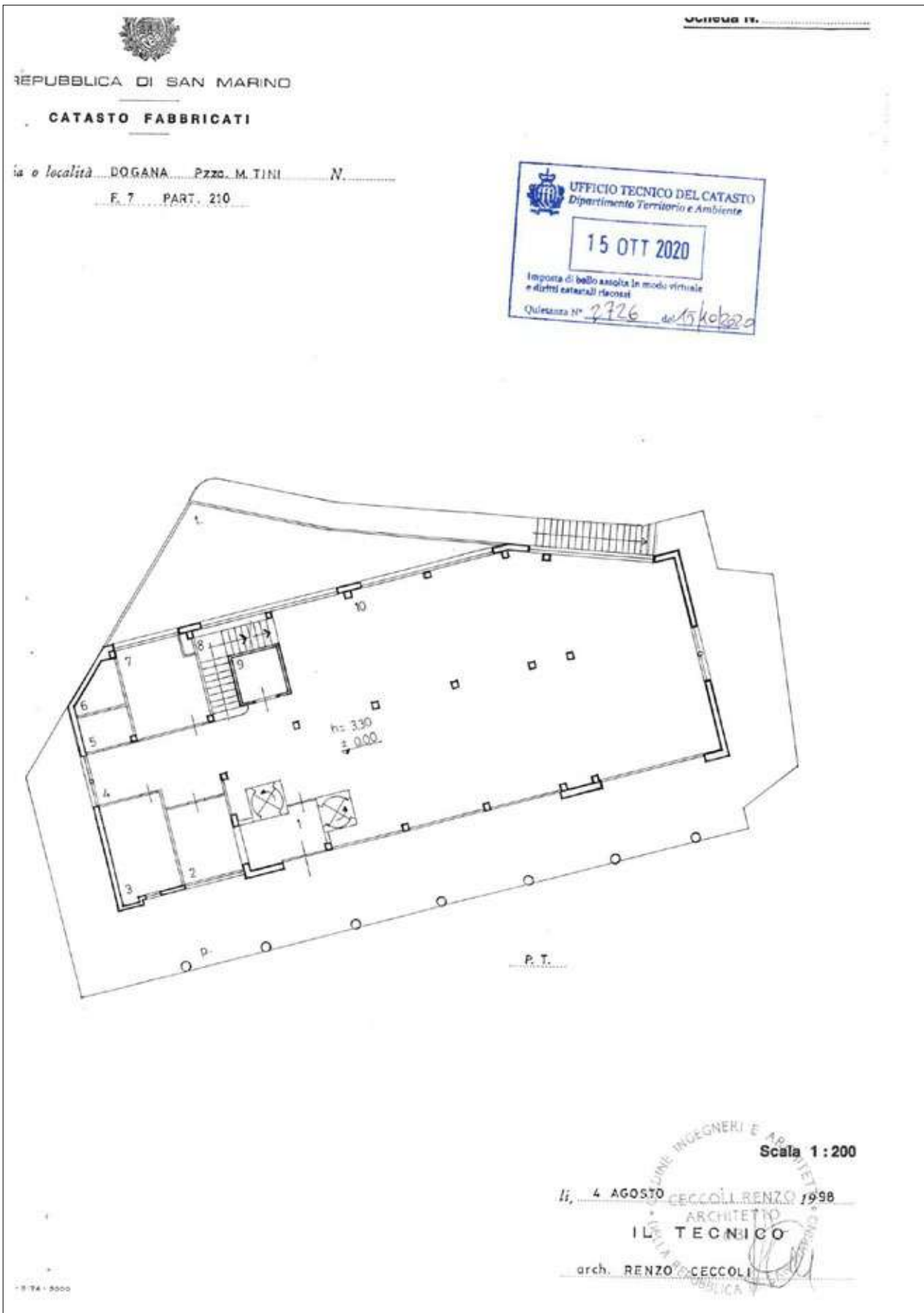
Dott. Ing. Ciacci Stefano

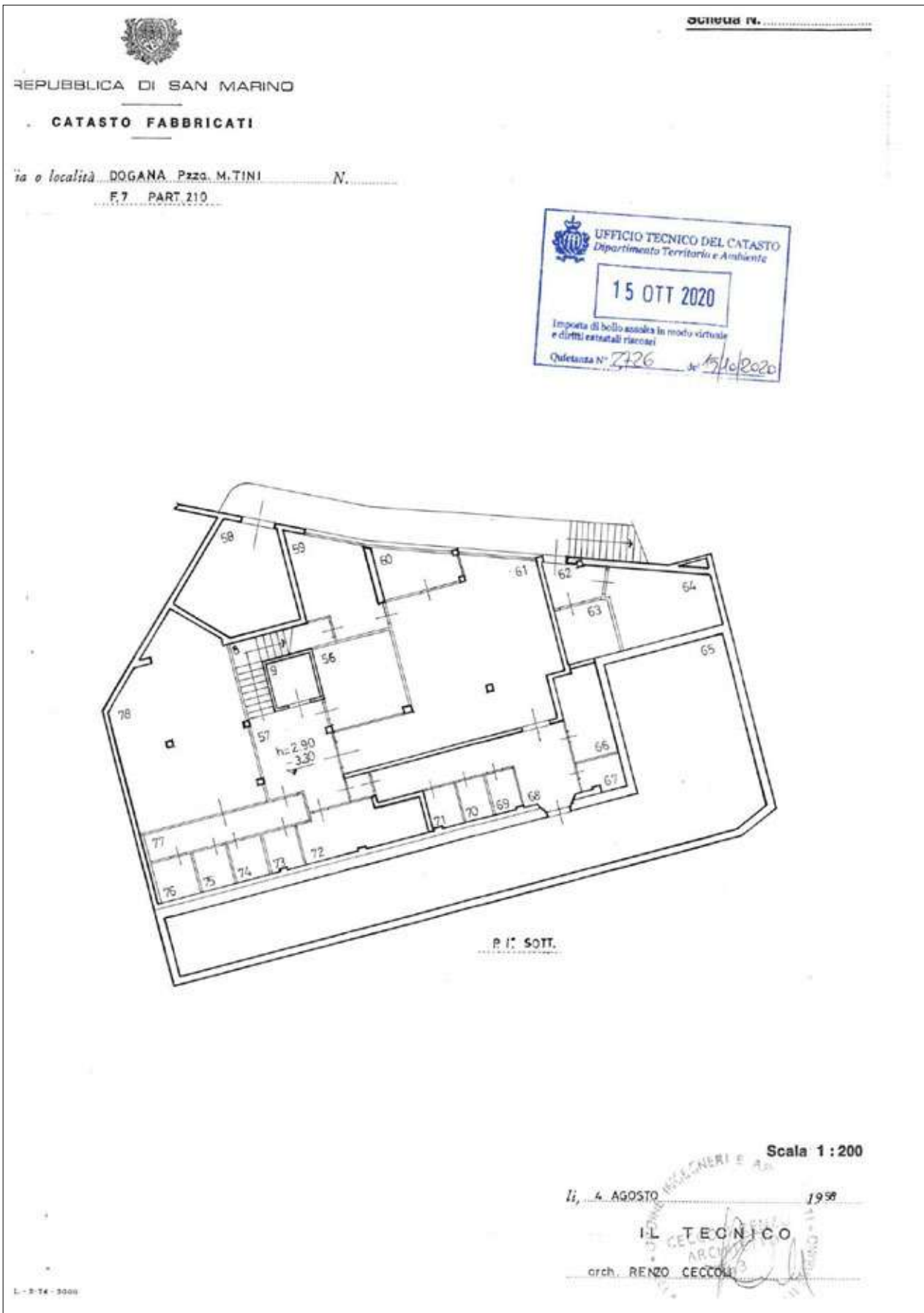


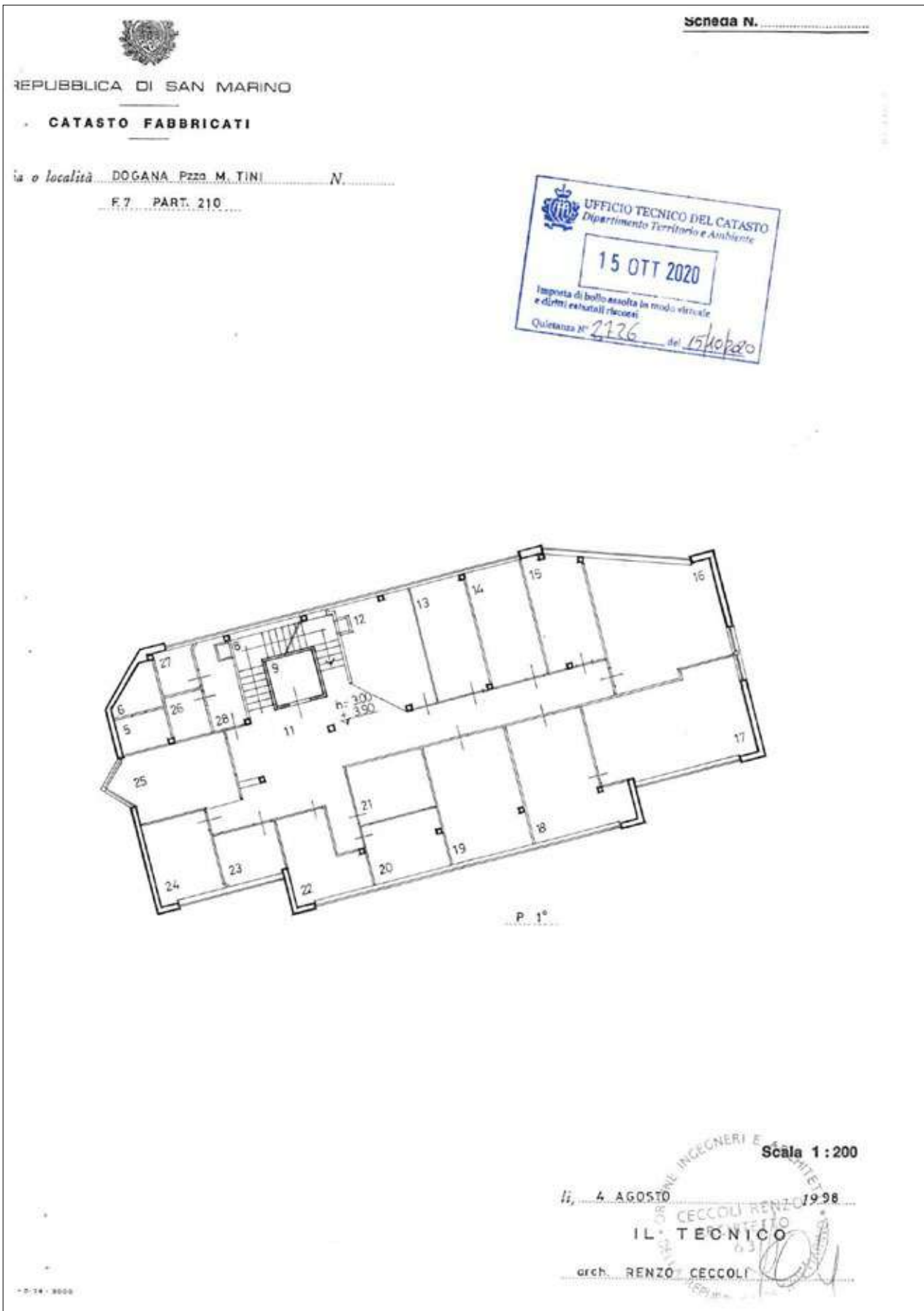
Repubblica di San Marino
Ufficio del Registro e Conservatoria
16 OTT 2020
Vol. 2020 N 7098
Imp. Registro € 145.00#1
Imp. Bollo € 80.00#1

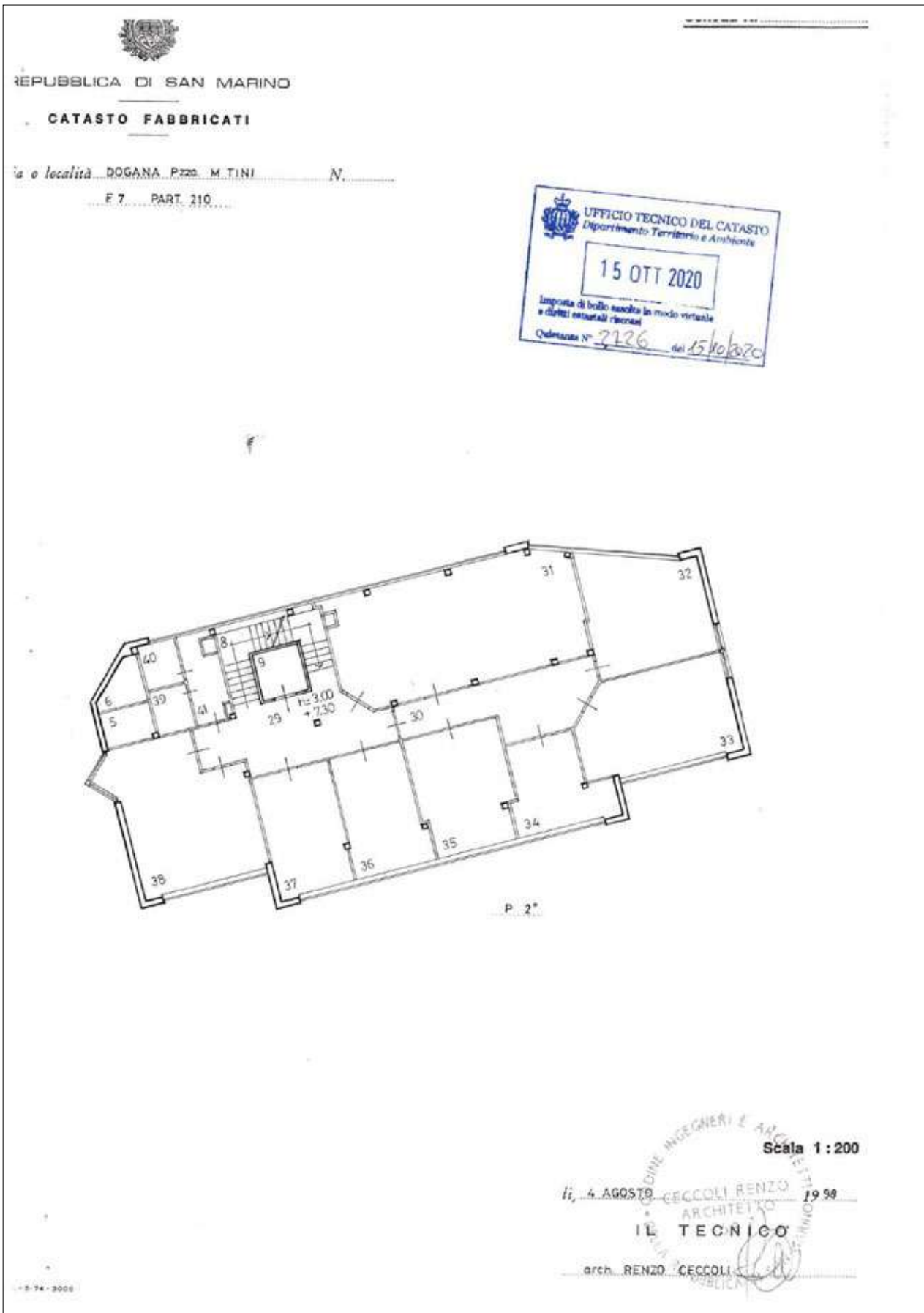
D. M...

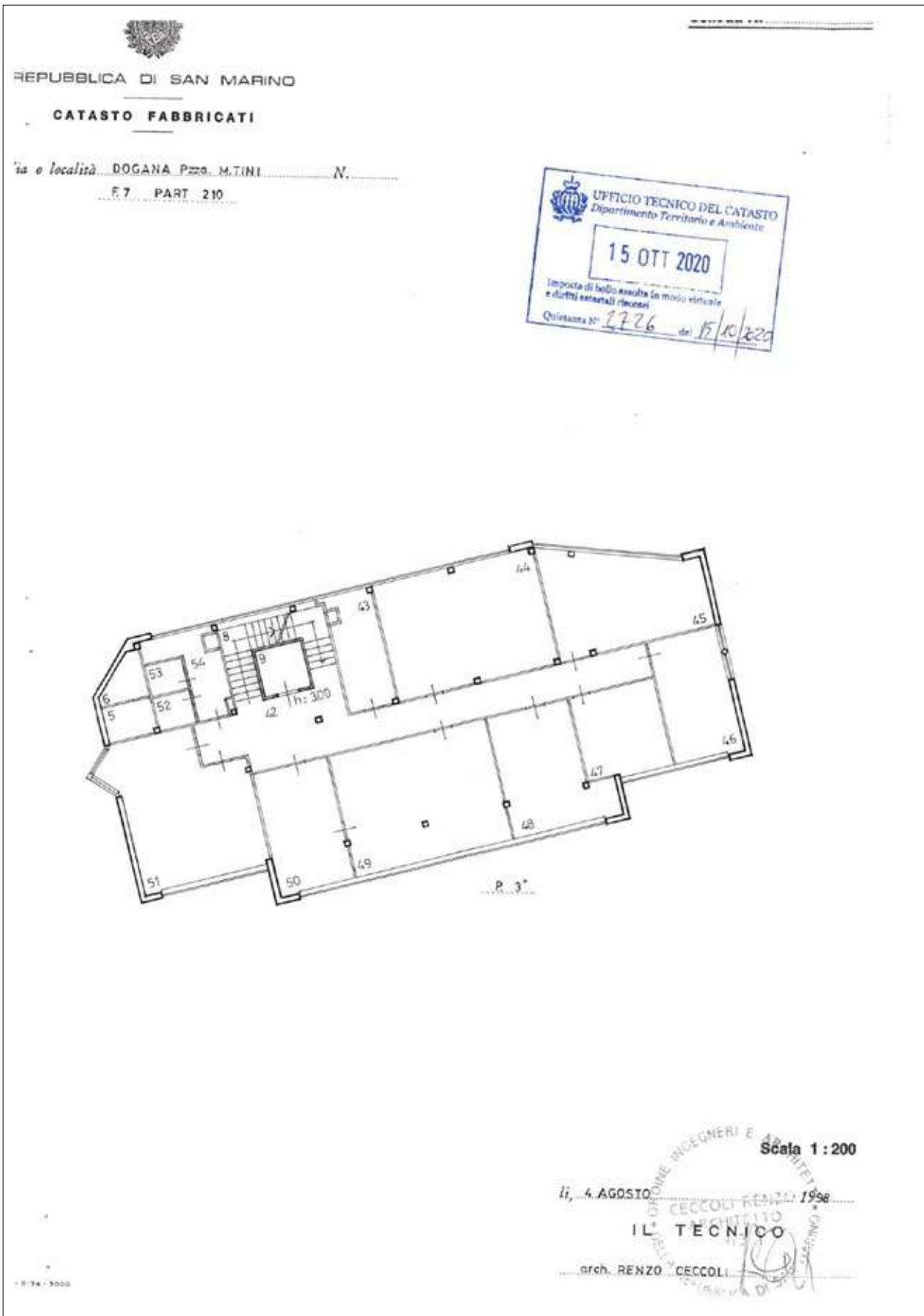


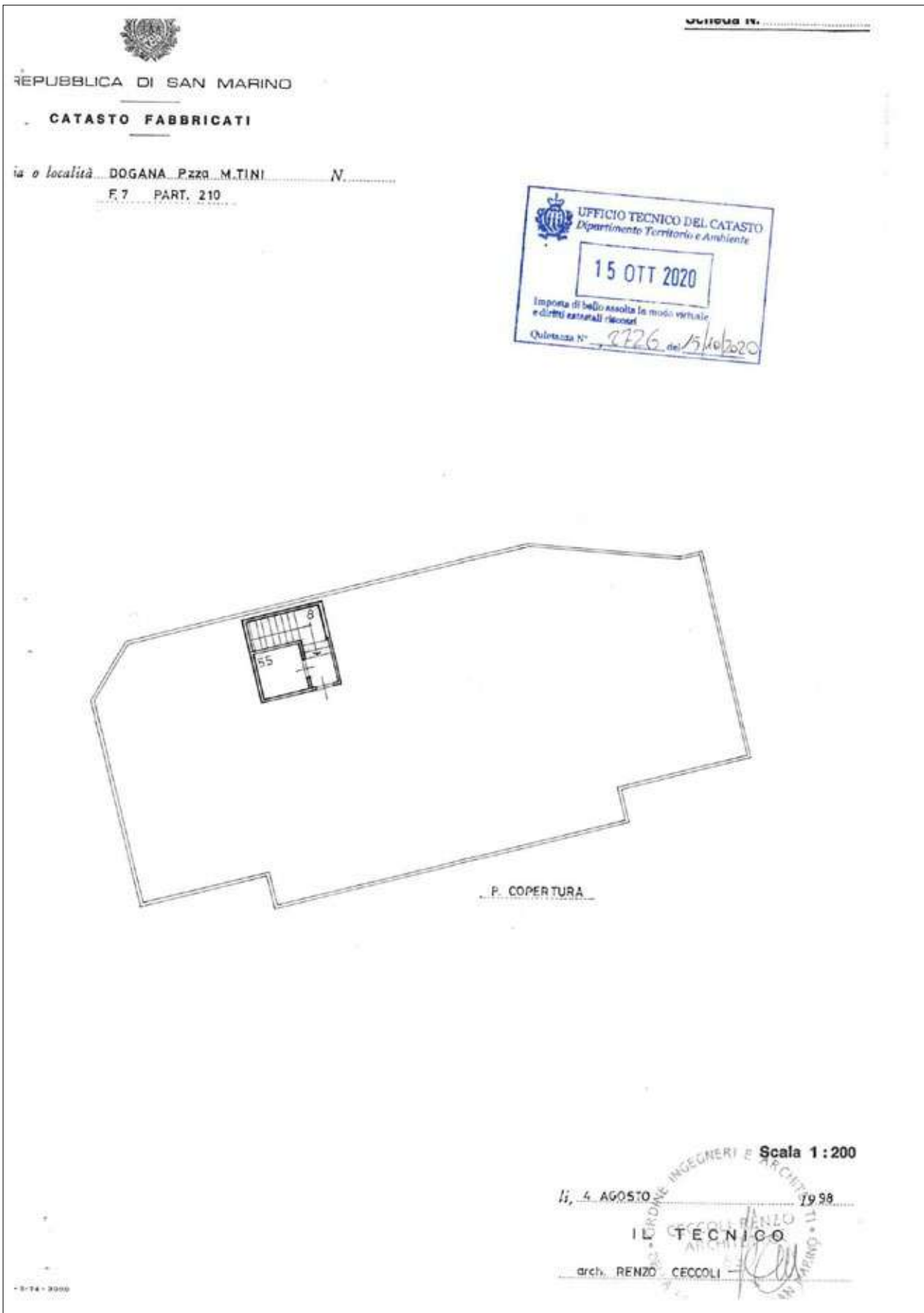




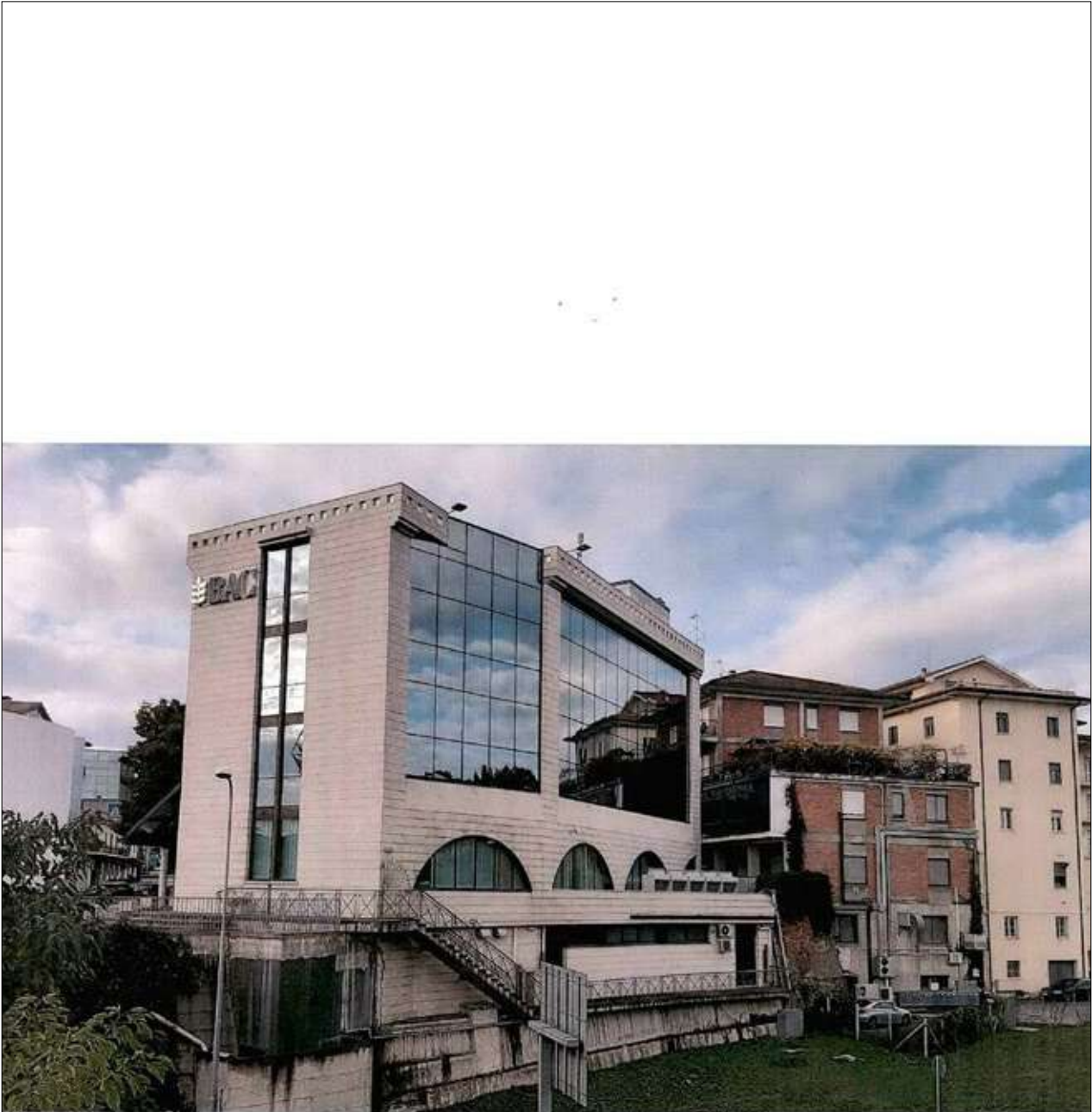














REPUBBLICA DI SAN MARINO

15 Ottobre 2020/1719 D.f.R.

Dogana Brevese

OGGETTO:

RELAZIONE PERITALE DI STIMA

Località: Dogana (RSM) – Via Tre Settembre n° 316 e Via C. Manetti n° 9
Foglio di mappa 2 particella 53 Sub. 1-2-3-4-5-6-7-8-9-10-11-12-13

COMMITTENTE:

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

PROPRIETA'

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

TECNICO INCARICATO:



Ing. Stefano Ciacci

*Dottore in Ingegneria Civile
Progettazione e Consulenza*





Ing. Stefano Ciacci

*Dottore in Ingegneria Civile
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RELAZIONE PERITALE DI STIMA

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1) ATTRIBUZIONE INCARICO

La presente perizia estimativa è stata redatta in adempimento all'incarico ricevuto in data 12 Ottobre 2020 dalla Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.. Trattasi di stimare il valore di un immobile polifunzionale ad uso ufficio funzione C5 e servizi collettivi funzione C8 con annessi locali accessori funzione C13 siti a Dogana (RSM) in Tre Settembre n° 316 e Via C. Manetti n° 9, di proprietà della Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.. Gli immobili sono contraddistinti al vigente Catasto Fabbricati di questa Repubblica al foglio di mappa nr. **2**, particella **53**, subalterno: **1-2-3-4-5-6-7-8-9-10-11-12-13**.

2) RICHIEDENTE

S.p.A. Banca Agricola Commerciale Istituto Bancario Sammarinese con sede in Dogana (R.S.M).

3) PROPRIETA' CATASTALE

Gli immobili, da una verifica presso l'UTC di San Marino, risultano di piena proprietà della S.p.A. Banca Agricola Commerciale Istituto Bancario Sammarinese.

4) DATI IDENTIFICATIVI CATASTALI



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BAC/IBS S.P.A.		1/1		Proprietà									
Partita	Parrocchia	Via, Strada	Foglio	Num.	Sub.	Cat.	Classe	V.U.	mc	mq	R.C.	A.C.	
115	10	VIA TRE SETTEMBRE	2	53	1	D3	U	0.0	0.0	0.0	535.5		
115	10	VIA TRE SETTEMBRE	2	53	2	A6	8	8.0	0.0	0.0	109.49		
115	10	VIA TRE SETTEMBRE	2	53	3	D4	U	0.0	0.0	0.0	415.8		
115	10	VIA TRE SETTEMBRE	2	53	4	D4	U	0.0	0.0	0.0	408.6		
115	10	VIA TRE SETTEMBRE	2	53	5	C4	7	0.0	0.0	425.0	70.25		
115	10	VIA TRE SETTEMBRE	2	53	6	D4	U	0.0	0.0	0.0	787.5		
115	10	VIA TRE SETTEMBRE	2	53	7	C4	7	0.0	0.0	436.0	72.07		
115	10	VIA TRE SETTEMBRE	2	53	8	C4	7	0.0	0.0	423.0	69.92		
115	10	VIA TRE SETTEMBRE	2	53	9	A6	6	5.5	0.0	0.0	41.76		
115	10	VIA TRE SETTEMBRE	2	53	10	A6	8	9.0	0.0	0.0	123.17		
115	10	VIA TRE SETTEMBRE	2	53	11	A6	8	2.5	0.0	0.0	34.22		
115	10	VIA TRE SETTEMBRE	2	53	12	A6	8	2.5	0.0	0.0	34.22		
115	10	VIA TRE SETTEMBRE	2	53	13	A6	8	7.0	0.0	0.0	95.8		

5) DESTINAZIONE URBANISTICA

L'area di terreno su cui sorge il complesso immobiliare ricade in zona destinata dal vigente Piano Regolatore Generale a ZONA R2-01 (Dogana): "Aree di ristrutturazione edilizia ed urbanistica a Piano Particolareggiato".

6) REGOLARITA' URBANISTICA ED EDILIZIA

Da una ricerca effettuata dallo scrivente presso l'Ufficio per l'Edilizia di questa Repubblica è emerso che al Foglio di Mappa 2 Particella 53 sono archiviate diverse pratiche edilizie; l'ultima che ha interessato l'immobile in oggetto è la pratica di sanatoria SAE 24 approvata in data 5 maggio 2016 avente per oggetto "Progetto di sanatoria come da art. 176 comma 8 L. 87/95". Su questo protocollo sono state rilasciate tre certificati di abitabilità e conformità edilizia con funzioni C5 e C8 in data 20 marzo 2017 con delibere n° 42-43-45. Nel sopralluogo effettuato in data odierna non sono emerse difformità degne di nota tra il progetto approvato e lo stato di fatto, a parte la presenza di cavedi per aerazione al piano quinto sottostante, piano quarto sottostante, piano terzo sottostante, piano secondo sottostante e piano primo sottostante



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non riportati nel progetto ed accatastati come A.C.L.'allibramento catastale dell'intero edificio accertato dall'Ufficio Tecnico del Catasto in data 24 gennaio 2018 con numero di scheda 2039A, è conforme allo stato di fatto attuale.

7) ANNO DI COSTRUZIONE

Ristrutturazione con ampliamento negli anni 1998-2000.

8) CERTIFICAZIONE ENERGETICA (INDICATIVA)

Presumibilmente Classe Energetica "D oppure E".

9) VINCOLI LEGALI E NON

Non verificato.

10) GIUDIZIO TECNICO ESTIMATIVO E DESCRIZIONE

Il fabbricato è realizzato con rifiniture interne ed esterne sopra la media; esternamente l'edificio presenta delle alcune superfici rifinite con delle lastre di marmo botticino mentre gli infissi a facciata continua sono in alluminio con vetri camera oscurati del tipo "stop sol".

L'edificio si sviluppa su 10 livelli:

- Piano quinto sottostante: questo piano ha un'altezza interna di ml. 2.25 dove si trovano dei locali accessori e il garage con 12 posti auto;
- Piano quarto sottostante: questo piano ha un'altezza interna di ml. 2.25 dove si trovano dei locali accessori e il garage con 16 posti auto;



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- Piano terzo sottostante: questo piano ha un'altezza interna di ml. 2.25 dove si trovano dei locali accessori e il garage con 16 posti auto;
- Piano secondo sottostante: questo piano ha un'altezza interna di ml. 3.00 dove si trovano dei locali con servizi collettivi funzione C8 ed uffici con funzione C5;
- Piano primo sottostante: questo piano ha un'altezza interna di ml. 2.70 dove si trovano dei locali con funzione C5;
- Piano terra: a questo piano vi è l'ingresso principale all'edificio ed ha un'altezza interna di ml. 3.00 dove si trovano dei locali con funzione C5;
- Piano primo: questo piano ha un'altezza interna di ml. 3.00 dove si trovano dei locali con funzione C5;
- Piano secondo: questo piano ha un'altezza interna di ml. 2.70 dove si trovano dei locali con funzione C5;
- Piano terzo: questo piano ha un'altezza interna di ml. 2.70 dove si trovano dei locali con funzione C5;
- Piano terzo: questo piano ha un'altezza interna variabile da un minimo di ml. 0.80 ad un massimo di ml. 3.30 dove si trovano dei locali con funzione C5.

11) TRACCIA PER IL PROCEDIMENTO DI STIMA

- a) Procedura per la determinazione delle superfici oggetto di stima.
- b) Determinazione del valore unitario di riferimento per beni similari.
- c) Coefficienti correttivi della superficie delle unità immobiliari.
- d) Relazione finale di stima.
- e) Conclusioni.

a) DETERMINAZIONE DELLE SUPERFICI



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Si adotteranno le superfici rilevate dall'allibramento catastale depositato presso l'U.T.C.:

- **Determinazione superficie del piano quinto sottostante con funzione C13-C1, locali accessori e garage:**
495.10 mq circa con destinazione C13-C1;
- **Determinazione superficie del piano quarto sottostante con funzione C13-C1, locali accessori e garage:**
498.20 mq circa con destinazione C13-C1;
- **Determinazione superficie del piano terzo sottostante con funzione C13-C1, locali accessori e garage:**
513.20 mq circa con destinazione C13-C1;
- **Determinazione superficie del piano secondo sottostante con funzione C8-C5, locali ad uso servizi collettivi e ufficio:**
563.10 mq circa con destinazione C8-C5;
- **Determinazione superficie del piano primo sottostante con funzione C5-C13, locali ad uso ufficio ed accessori:**
564.00 mq circa con destinazione C5-C13;
- **Determinazione superficie del piano terra con funzione C5-C13, locali ad uso ufficio ed accessori:**
358,50 mq circa con destinazione C5-C13;
- **Determinazione superficie del piano primo con funzione C5-C13, locali ad uso ufficio ed accessori:**



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388.10 mq circa con destinazione C5-C13;

– **Determinazione superficie del piano secondo con funzione C5-C13, locali ad uso ufficio, accessori e terrazzo:**

363.50 mq circa con destinazione C5-C13;

37.00 mq circa con destinazione portico/terrazzi;

– **Determinazione superficie del piano terzo con funzione C5-C13, locali ad uso ufficio ed accessori:**

363.50 mq circa con destinazione C5-C13;

– **Determinazione superficie del piano secondo con funzione C5-C13, locali ad uso ufficio, accessori e balcone:**

363.50 mq circa con destinazione C5-C13;

10.25 mq circa con destinazione balcone.

b) DETERMINAZIONE VALORE UNITARIO DI RIFERIMENTO PER IL BENE IN ESAME

Con riferimento a transazioni in zone simili, visto la particolarità del bene, si può affermare che il valore di mercato di un edificio aventi le caratteristiche di quella oggetto di stima può essere compreso tra 3.300,00 e 3.500,00 €/mq.

Nel caso in esame, si devono valutare,

In positivo:

- posizione strategica per una banca all'ingresso del confine principale della Repubblica di San Marino con l'Italia;



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- Ottime finiture esterne;
- Ottime finiture interne.

In negativo:

- Nulla da segnalare.

Per il caso in esame a parere dello scrivente si può indicare quale valore unitario: **3.450,00 €/mq.**

a. COEFFICIENTI CORRETTIVI DELLA SUPERFICIE DELLE UNITA' IMMOBILIARI

Non verrà assegnato nessun coefficiente correttivo a parte i normali abbattimenti del 50% per i piani accessori, balconi e terrazzi.

b. RELAZIONE DI STIMA

Per quanto esposto in precedenza si conclude con la relazione di stima indicata nella seguente tabella:



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SUPERFICI EDIFICIO FOGLIO 2 PARTICELLA 53

	mq	abbattimento/ incremento	Superficie convenzionale (mq)	Destinazione	Valore €/mq	Valore Complessivo (€.)
PIANO QUINTO SOTTOSTANTE						
Superficie	495,1	0,50	247,55	C1-C13	3450,00	854.047,50 €
PIANO QUARTO SOTTOSTANTE						
Superficie	498,2	0,50	249,1	C1-C13	3450,00	859.395,00 €
PIANO TERZO SOTTOSTANTE						
Superficie	513,8	0,50	256,89	C1-C13	3450,00	886.270,50 €
PIANO SECONDO SOTTOSTANTE						
Superficie	563,1	1,00	563,10	C8-C13	3450,00	1.942.695,00 €
PIANO PRIMO SOTTOSTANTE						
Superficie	564	1,00	564,00	C5-C13	3450,00	1.945.800,00 €
PIANO TERRA						
Superficie	358,5	1,00	358,50	C5-C13	3450,00	1.236.825,00 €
PIANO PRIMO						
Superficie	388,1	1,00	388,10	C5-C13	3450,00	1.338.945,00 €
PIANO SECONDO						
Superficie	363,5	1,00	363,50	C5-C13	3450,00	1.254.075,00 €
Terrazzo	37,00	0,50	18,50		3450,00	63.825,00 €
PIANO TERZO						
Superficie	363,5	1,00	363,50	C5-C13	3450,00	1.254.075,00 €
PIANO QUARTO						
Superficie	363,5	1,00	363,50	C5-C13	3450,00	1.254.075,00 €
Balcone	10,25	0,50	5,13		3450,00	17.681,25 €
		TOTALE	3741,37		TOTALE	12.907.709,25 €



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c. CONCLUSIONI

L'immobile con le superfici e destinazioni d'uso attuale è valutato **12.907.709,25 €**.
(Dodicimilioninovecentosette milasettecentonove/25 euro).

12) ASSENZA CONFLITTI DI INTERESSI

Il sottoscritto competente ad adottare la valutazione si stima degli immobili di cui in oggetto, dichiara di non trovarsi in situazioni di incompatibilità né in condizioni di conflitto di interessi anche potenziale.

13) ASSENZA DI MATERIALI TECNICI NOCIVI

Nulla da segnalare.

14) VARIE E COMMERCIALIZZABILITA'

L'edificio è in ottimo stato di conservazione. Al momento la commerciabilità è media/alta.

15) VALORE DI RICOSTRUZIONE EDIFICIO

Superficie commerciale immobili (uffici e funzioni principali al 100% - piani con funzioni accessorie, portici/terrazzi e balconi al 50%) = 3.741,37 mq

Costo di costruzione al nuovo = 1.900,00 €/mq circa

Valore di Ricostruzione



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= 3.741,37 x 1.900,00 = **7.108.603,00 €**, circa

16) VALORE DI PRONTO REALIZZO

12.907.709,25 x 0,90 = **11.616.938,33 €**. (Undicimilioneiseicentosedicimilanovecentotrentotto /33 euro);

17) ATTESTAZIONE SULLA CORRETTEZZA DELLA PERIZIA

Il sottoscritto dichiara di sottoscrivere la presente perizia confermando la veridicità, la correttezza e la certezza delle affermazioni, rilevazioni e più in generale dei contenuti in essa riportati.

18) DOCUMENTAZIONE ALLEGATA

- Allibramento catastale approvato;
- Illustrazione fotografica.

19) DATA

San Marino, li 15 Ottobre 2020

20) TIMBRO



TRIBUNALE
Cancelleria Commerciale

è comparso in quest'Ufficio il Perito Signor
STEFANO CIACCI
che nel consegnare la presente perizia la
conferma con suo giuramento a mia delazione
San Marino, 16/10/2020
Il Perito _____ Il Cancelliere _____













REPUBBLICA DI SAN MARINO

23 Ottobre 2020/1719 D.f.R.

OGGETTO:

RELAZIONE PERITALE DI STIMA

Località: Borgo Maggiore (RSM) – Via Ventotto Luglio n° 212
Foglio di mappa 30 particella 559 Sub. 2

COMMITTENTE:

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

PROPRIETA'

**S.P.A. BANCA AGRICOLA COMMERCIALE ISTITUTO
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RELAZIONE PERITALE DI STIMA

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*Dottore in Ingegneria Civile
Progettazione e Consulenza*

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1) ATTRIBUZIONE INCARICO

La presente perizia estimativa è stata redatta in adempimento all'incarico ricevuto in data 19 Ottobre 2020 dalla Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.. Trattasi di stimare il valore di una unità immobiliare ad uso ufficio funzione C5 sita all'interno di un complesso edilizio polifunzionale denominato "Centro Uffici" in località Borgo Maggiore (RSM) in Via Ventotto Luglio n° 212 di proprietà della Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.. L'immobile è contraddistinto al vigente Catasto Fabbricati di questa Repubblica al foglio di mappa nr. **30**, particella **559**, subalterno **2**.

2) RICHIEDENTE

S.p.A. Banca Agricola Commerciale Istituto Bancario Sammarinese con sede in Dogana (R.S.M).

3) PROPRIETA' CATASTALE

Gli immobili, da una verifica presso l'UTC di San Marino, risultano di piena proprietà della S.p.A. Banca Agricola Commerciale Istituto Bancario Sammarinese.

4) DATI IDENTIFICATIVI CATASTALI

BAC/IBS S.P.A.		1/1		Proprietà									
Partita	Parrocchia	Via, Strada	Foglio	Num.	Sub.	Cat.	Classe	V.U.	mc	mq	R.C.	A.C.	
115	2	VIA VENTOTTO LUGLIO	30	559	2	D4	U	0.0	0.0	0.0	302.4		





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5) DESTINAZIONE URBANISTICA

L'area di terreno su cui sorge il complesso immobiliare ricade in zona destinata dal vigente Piano Regolatore Generale a ZONA R2-19 "Aree di ristrutturazione edilizia ed urbanistica a P.P. di iniziativa pubblica".

6) REGOLARITA' URBANISTICA ED EDILIZIA

Per un problema tecnico all'archivio delle pratiche edilizie presso lo Sportello Unico dell'Ufficio per l'Edilizia, considerando anche il poco tempo a disposizione al sottoscritto per espletare l'incarico, non è stato possibile accedere agli atti per verificare la regolarità urbanistica, anche se da un controllo sommario, comparando le dimensioni riportate nell'allibramento catastale, si presume che la S.U. sia entro le tolleranze delle attuali normative vigenti, nonostante la presenza di modiche interne.

7) ANNO DI COSTRUZIONE

2007.

8) CERTIFICAZIONE ENERGETICA (INDICATIVA)

Presumibilmente Classe Energetica C oppure D".

9) VINCOLI LEGALI E NON

Non verificato.



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10) GIUDIZIO TECNICO ESTIMATIVO E DESCRIZIONE

L'immobile oggetto della presente relazione di stima con destinazione Ufficio funzione C5, attualmente ospita una delle filiali della Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.a. ed è ubicato all'interno del "Centro Uffici" in località Tavolucci che si sviluppa su 10 livelli:

- Livello -2: sono collocati i posti auto ed i locali accessori alle varie U.I.;
- Livello -1: sono collocati i posti auto ed i locali accessori alle varie U.I.;
- Livello 0: sono collocati i posti auto ed i locali accessori alle varie U.I.;
- Livello 1: sono collocati i posti auto ed i locali accessori alle varie U.I.;
- Livello 2: sono collocati i posti auto, i locali accessori alle varie U.I. ed i locali con destinazione C5 (uffici);
- Livello 3: : sono collocati i locali con destinazione C5 (uffici), C3 (negozi), C4 (mensa), ecc...;
- Livello 4: : sono collocati i locali con destinazione C5 (uffici), C3 (negozi), ecc...;
- Livello 5: : sono collocati i locali con destinazione C5 (uffici), ecc...;
- Livello 6: : sono collocati i locali con destinazione C5 (uffici), ecc...;
- Livello 7: : sono collocati i locali con destinazione C5 (uffici), ecc....

Trattasi di un complesso di recente costruzione con finiture di pregio, con struttura in conglomerato cementizio armato ed architettura moderna, adiacente ad altri immobili di proprietà dell'Ecc.ca Camera dove sono ospitate strategici uffici come il Tribunale Unico e Commissariale della Repubblica di San Marino, l'Ufficio Tributario, l'Ufficio del Registro, ecc...Si trova inoltre adiacente alla superstrada, in una zona di grande interesse ed è dotato di posti auto esterni e numerosi posti auto ad uso pubblico gratuito all'interno delle autorimesse al piano. L'unità oggetto di stima si trova al livello 4 ed è finita con materiali di pregio, dal pavimento in marmo levigato all'impianto tecnologico di climatizzazione estivo/invernale di ultima generazione, sistemi di allarme, infissi blindati e controsoffitti architettonici.





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11) TRACCIA PER IL PROCEDIMENTO DI STIMA

- a) Procedura per la determinazione delle superfici oggetto di stima.
- b) Determinazione del valore unitario di riferimento per beni simili.
- c) Coefficienti correttivi della superficie delle unità immobiliari.
- d) Relazione finale di stima.
- e) Conclusioni.

a) DETERMINAZIONE DELLE SUPERFICI

Si adotteranno le superfici rilevate dall'allibramento catastale depositato presso l'U.T.C.

– **Determinazione superficie del piano terra dell'allibramento catastale con funzione C5 e C13 ad uso istituto di credito aperto al pubblico:**

182.60 mq circa con destinazione C5 - C13.

b) DETERMINAZIONE VALORE UNITARIO DI RIFERIMENTO PER IL BENE IN ESAME

Con riferimento a transazioni in zone simili, visto la particolarità del bene, si può affermare che il valore di mercato di un edificio aventi le caratteristiche di quella oggetto di stima può essere compreso tra 4.300,00 e 4.500,00 €/mq.

Nel caso in esame, si devono valutare,

In positivo:



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- Edificio con posizione strategica in affaccio al tratto discendere della superstrada e vicino a strategiche attività pubbliche e private;
- Ottime finiture esterne;
- Ottime finiture interne;

In negativo:

- Mancanza di posti auto di proprietà esterni ad uso dei clienti.

Per il caso in esame a parere dello scrivente si può indicare quale valore unitario: **4.500,00 €/mq.**

a. COEFFICIENTI CORRETTIVI DELLA SUPERFICIE DELLE UNITA' IMMOBILIARI

Nessun coefficiente correttivo da applicare.

b. RELAZIONE DI STIMA

Per quanto esposto in precedenza si conclude con la relazione di stima indicata nella seguente tabella:

SUPERFICI FOGLIO 30 PARTICELLA 559 SUB 2

	mq catastali	abbattimento/incremento	Superficie convenzionale (mq)	Destinazione	Valore €/mq	Valore Complessivo (€.)
PIANO TERRA						
Superficie	182,60	1,00	182,6	C5-C13	4500,00	821.700,00 €

c. CONCLUSIONI





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L'immobile con le superfici e destinazioni d'uso attuali è valutato **821.700,00 €**.
(Ottocentoventunmilasettecento/00 euro).

12) ASSENZA CONFLITTI DI INTERESSI

Il sottoscritto competente ad adottare la valutazione si stima degli immobili di cui in oggetto, dichiara di non trovarsi in situazioni di incompatibilità né in condizioni di conflitto di interessi anche potenziale.

13) ASSENZA DI MATERIALI TECNICI NOCIVI

Nulla da segnalare.

14) VARIE E COMMERCIALIZZABILITÀ

L'edificio è in ottimo stato di conservazione. Al momento la commerciabilità è media.

15) VALORE DI RICOSTRUZIONE EDIFICIO

Superficie commerciale immobili (uffici e funzioni principali al 100% - piani con funzioni accessorie, portici/terrazzi e balconi al 50%) = 182.20 mq

Costo di costruzione al nuovo = 1.900,00 €/mq circa

Valore di Ricostruzione

= 182.20 x 1.900,00= **346.180,00 €**. circa





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16) VALORE DI PRONTO REALIZZO

821.700,00 x 0,95 = 780.615,00 €.

(Settecentoottantamilaseicentoquindi/00 euro);

17) ATTESTAZIONE SULLA CORRETTEZZA DELLA PERIZIA

Il sottoscritto dichiara di sottoscrivere la presente perizia confermando la veridicità, la correttezza e la certezza delle affermazioni, rilevazioni e più in generale dei contenuti in essa riportati.

18) DOCUMENTAZIONE ALLEGATA

- Allibramento catastale approvato;
- Illustrazione fotografica.

19) DATA

San Marino, li 23 Ottobre 2020

20) TIMBRO

In fede
Dott. Ing. Ciacci Stefano

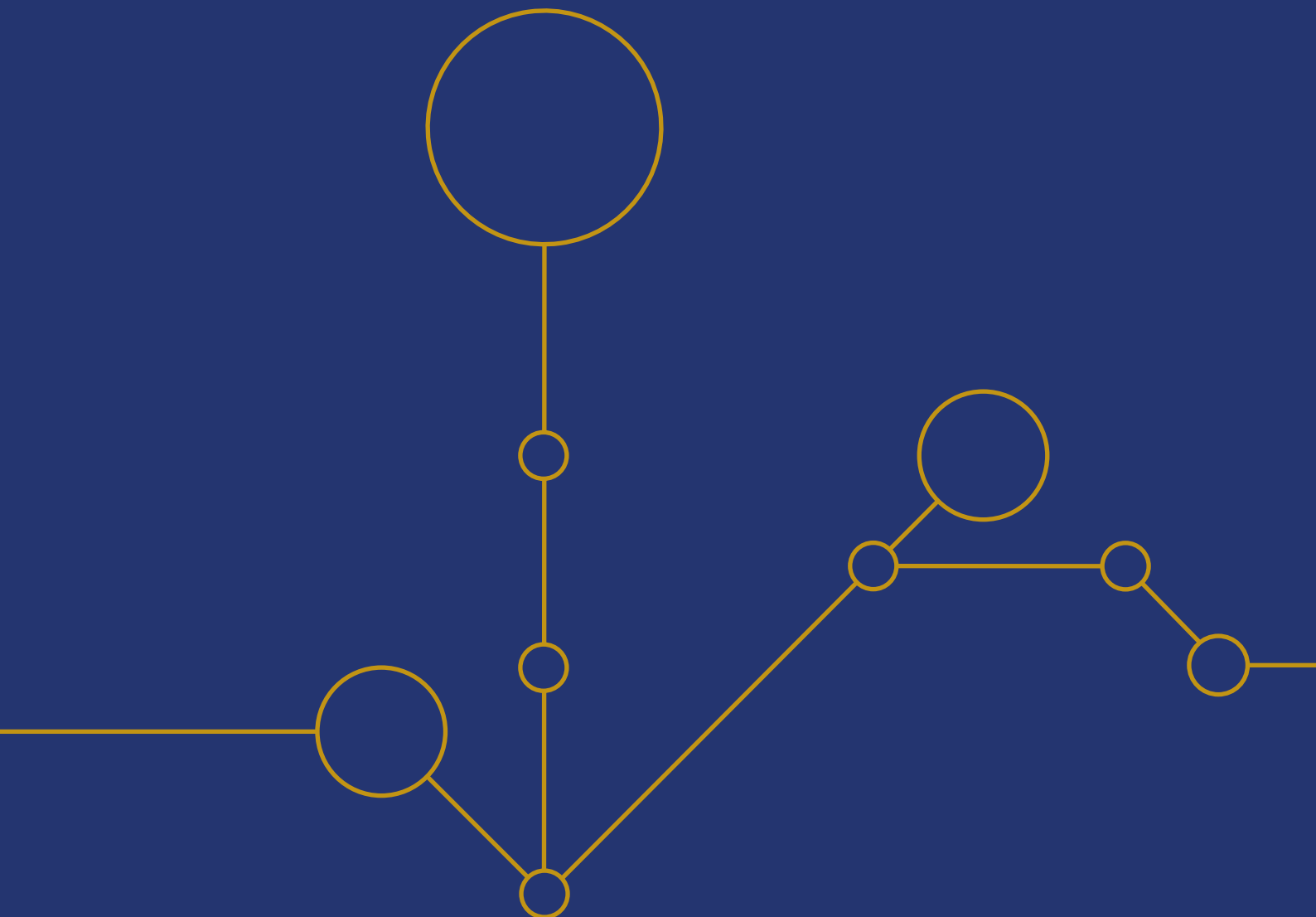






09

Auditors' report



"BOARD OF STATUTORY AUDITORS' REPORT TO THE SHAREHOLDERS' MEETING OF BANCA AGRICOLA COMMERCIALE ISTITUTO BANCARIO SAMMARINESE S.P.A. PURSUANT TO ARTICLE 83 OF LAW NO. 47/2006 AND SUBSEQUENT AMENDMENTS AND ADDITIONS"

Dear Shareholders,

With this Report, the Board of Statutory Auditors reports on the supervisory activities carried out during the year ended 31 December 2020, in compliance with current legislation and the Articles of Association.

The undersigned Board of Statutory Auditors was appointed by a decision of the shareholders on 30 July 2020; since that date, our activity has been in line with the code of conduct recommended by the Professional Associations.

This report, which is being presented to the Shareholders' Meeting, contains the news, data and information that the Board of Statutory Auditors decided to provide to the Bank's shareholders.

The Board of Statutory Auditors has examined the draft financial statements for the year ended 31 December 2020, which were prepared by the Directors and communicated to the Board of Statutory Auditors, in accordance with the law, together with the Management Report.

Since taking office, we have carried out the activities assigned to us and have supervised compliance with the law and the Articles of Association, in accordance with the principles of proper administration, the adequacy of the internal control system and the administrative and accounting system, as well as the reliability of the latter in correctly representing management events and the procedures for the concrete implementation of corporate governance rules. We account for this activity in this report which we are presenting to the Shareholders' Meeting.

1. Activities of the Board of Statutory Auditors

During the year ended as of 31 December 2020, the Board of Statutory Auditors held 24 meetings, 13 of which were attributable to this Board as renewed during the Shareholders' Meeting held on 30 July 2020.

The supervisory activity, in all the forms provided for by the legal provisions, also saw the direct involvement of the General

Management, of the various corporate functions as well as the control functions.

The Board of Statutory Auditors took part in all the meetings of the Board of Directors, obtaining, in compliance with the regulations in force, adequate information on the general performance of operations and its foreseeable evolution, as well as on the most important transactions, in terms of size or characteristics, carried out by the Bank, for which it is acknowledged that they were carried out in compliance with the Law and the Articles of Association.

The Board of Statutory Auditors, to the extent of its competence, reports:

- to have examined the general aspects, the management processes and the methods of measuring the risks inherent in and connected with the Bank's activities, as well as their suitability and effectiveness in dealing with serious, persistent, widespread and generalised difficulties;
- to have followed the evolution of management according to the pre-established strategic objectives, as well as the evolution of organisational changes in line with the aforementioned objectives, also verifying, through periodic analyses and checks, that the constant updating of the information system was maintained.

The internal audit system is periodically reviewed and updated according to the evolution of corporate operations and the reference context. In particular, internal audit activities are carried out by the Internal Audit department, which reports the results of its activities directly to the Board of Directors and the Board of Statutory Auditors.

In the light of the findings and the supervisory activity carried out, the Board of Statutory Auditors considers that the internal control system is substantially adequate to the Bank's needs and meets the requirements of efficiency and effectiveness in monitoring risks and complying with internal and external procedures and provisions.

The Board of Statutory Auditors also evaluated, to the extent of its competence, the reliability of the administrative and accounting system in correctly capturing and representing operating events, through the information periodically obtained from the

heads of the various functions involved and from the periodic meeting with the independent auditors. In particular, the undersigned Board of Statutory Auditors met with the Independent Auditors on 29/10/2020, on 28/04/2021 and on 27/05/2021.

The Board of Statutory Auditors acknowledges that no complaints were filed during the year pursuant to Article 65 of Law 47/2006 and subsequent amendments, and that supervisory activities were carried out in the normal manner and that no significant facts emerged that would require reporting herein.

2. Supervisory activities regarding the financial statements.

The financial statements for the year ended 31 December 2020 that are submitted to the Shareholders' Meeting for approval show a profit of €158,266.

The Bank's financial statements show the following data:

- shareholders' equity, including net income for the year, amounts to € 88,331,070;
- capital for supervisory purposes amounts to € 31,330,660;
- the total capital ratio was 10.11% compared with 8.81% in the previous year, an improvement but still below the regulatory minimum of 11.00%. In this regard, in its report attached to the financial statements, the Board of Directors reported the actions it intends to take in order to overcome this critical situation;
- The coverage of receivables over total loans at the end of 2020 was 18.07%, an improvement on the 13.63% of the previous financial statements.

The independent auditors AB&D S.p.A. issued their report on the financial statements on 1 June 2020 with a positive opinion and notice. More specifically, it expressed:

- the following opinion: *"In our opinion, the financial statements give a true and fair view of the financial position of BANCA AGRICOLA COMMERCIALE ISTITUTO BANCARIO SAMMARINESE S.p.A. as of 31/12/2020 and of the results of its operations for the year ended on that date";*
- and the following notice:
 - *"The financial statements as of 31/12/2020 were prepared by continuing the accrual of adjustments deriving from the AQR (Asset Quality Review) exercise permitted by Article*

40 of Law 173/2018 together with the authorization of the Supervisory Authority (Prot.no. 20/5553 of 19/06/2020), over a period of 10 years starting from 2019. As a result of the aforementioned accrual process, the suspended value adjustments, recorded under item 130 of Assets "Other assets" as of 31/12/2020, amount to € 36,654,094 with an impact on the 2020 profit and loss account of € 4,581,762, recorded under item 140 "Value adjustments on loans and provisions for guarantees and commitments". In addition, item 80 of Liabilities "Provision for Credit Risks" recorded in the financial statements as of 31/12/2019 for € 17,857,990, to complete the adjustments resulting from the remaining AQR exercise, was set to zero as of 31/12/2020 as the Bank, in its constant monitoring of credit positions, proceeded to allocate it to direct adjustment of individual non-performing positions.

- As explained in greater detail in the report of the Board of Directors, the Bank's current capital does not allow compliance with the supervisory regulations both in terms of regulatory capital and for the purposes of compliance with the solvency ratio, although it is an improvement over that recorded as of 31/12/2019 as a result of the transactions, some of which have already been completed, described in the report of the Board of Directors. The Total Capital Ratio as of 31/12/2020 is 10.11% (8.81% as of 31/12/2019) compared to a minimum regulatory ratio of 11%, discounting, as required by the Supervisory Authority, the deduction from regulatory capital of the suspended value adjustments referred to in the previous paragraph. To this regard, the Bank submitted a specific request to the Supervisory Authority, pursuant to Article VII.II.12 of BCSM Regulation 2007-07, in order to be able to take advantage of a waiver of the deduction, in full, of the equity investment in BAC LIFE S.p.A. (recorded in the financial statements at a value of € 6.6 million) which, pursuant to BCSM Regulation 2008-01, is already subject to the measurement of the solvency margin, which is currently respected. The Supervisory Authority with Prot. no. 21/2807 of 09/03/2021 granted BAC, in the calculation of the

shortfall for 2021, not to take into account the positive difference between the interest to be deducted from the Regulatory Capital and the greater of the required solvency margin and the minimum capital established for the exercise of insurance activity by BAC Life. This forecast will allow the Bank to continue its convergence towards the required regulatory parameters.

- In the first half of 2020, the Bank transferred financial instruments from the trading portfolio to the investment portfolio for a countervalue of € 21.8 million, recording a capital gain of € 0.2 million recorded under item 60 of the profit and loss account; this option is provided for by the provision of BCSM Prot. no. 20/3582 of 06/04/2020 in view of the exceptional situation created by the COVID-19 health emergency.

In the second half of 2020, the Bank also transferred financial instruments from the investment portfolio to the trading portfolio for a countervalue of € 40.4 million, recording a net capital gain of € 2.8 million, which flowed into the extraordinary area of the profit and loss account; this option, provided for by the provision of BCSM Prot. no. 20/13417 of 22/12/2020 in view of the exceptional situation created by the COVID-19 health emergency, provides for the obligation to allocate the capital gain to item 130 of liabilities "Other reserves". All this, as better detailed and justified in the report of the Board of Directors as well as in paragraph 5 of the Explanatory Notes.

- The Bank carried out the revaluation of capital properties, permitted by article 22 of Law 113/2020, for an amount of € 3.3 million, as better detailed in paragraph "Section 3" of the Explanatory Notes.
- In the first months of 2021 the Bank reviewed the three-year 2020-2022 Development Plan, in order to take into account the scenario dominated by uncertainty on the evolution of the Covid-19 pandemic and its effects on the economy, thus reaching the approval of the three-year 2021-2023 Development Plan, as reported in the paragraph "Foreseeable evolution of operations". This

fact, together with the actions taken by the Bank to deal with the pandemic, as described in the section "Significant events after the end of the year", led to the conclusion that the analyses regarding the existence of the conditions linked to the principle of business continuity were satisfied."

As reported in the explanatory notes, the bank carried out the revaluation of real estate properties pursuant to article 22 of Law 113/2020. The value subject to revaluation, equal to € 3.3 million, is supported by sworn expert appraisals as provided for by paragraph 5 of article 22 of Law 113/2020.

We verified compliance with the provisions of law concerning the preparation of the explanatory notes and, in this regard, we have no particular observations to report.

To the best of our knowledge, the Board of Directors has not departed from legal requirements in preparing the financial statements.

3. Remarks and proposal regarding the financial statements and their approval.

As regards monitoring the correct keeping of accounts and recording of management events in the accounting records, as well as the correspondence checks between the financial statement information and the results of the accounting entries and the compliance of the financial statements with the law, it should be noted that these tasks are entrusted to the Independent Auditors AB&D S.p.A. The Board of Statutory Auditors supervised the general layout of the financial statements, their general compliance with the law as regards their formation and structure, and in this regard has no particular remarks to make.

We believe that the information submitted to the Shareholders' Meeting complies with the provisions and contains a faithful, balanced and comprehensive analysis of the Bank's situation, performance and management result.

Dear Shareholders,

Considering the results of the work we carried out and the opinion expressed in the audit report issued by the independent auditors, we invite you to approve the financial statements for the year ended as of 31 December 2020, as prepared by the directors. The Board of Statutory Auditors agrees with the proposal for the



allocation of the profit for the year contained in the final part of the Board of Directors' Report.

San Marino, 14 June 2021
Dott.ssa Stefania Gatti (Chairman)

Dott. Giorgio Rutilali (Auditor)

Avv. Alberto Vaglio (Auditor)

SUBJECTIVE AND OBJECTIVE CONDITIONS

Pursuant to article 6 of Law no. 47 of 23 February 2006, all members of the Board of Statutory Auditors of Banca Agricola Commerciale S.p.A. declare that they continue to meet the subjective and objective conditions for being appointed Statutory Auditors.
San Marino, 14 June 2021.

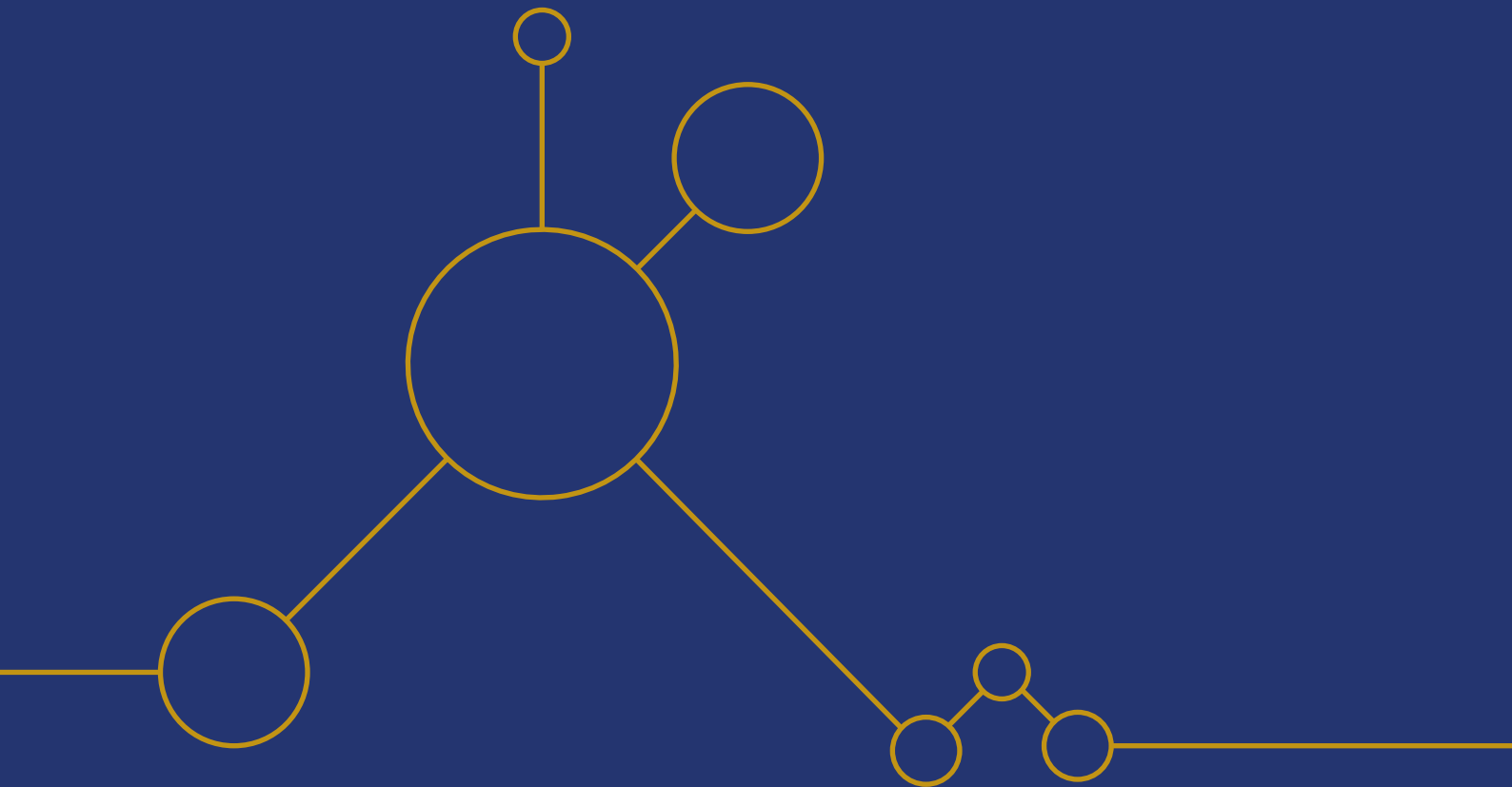
Dott.ssa Stefania Gatti (Chairman)

Dott. Giorgio Rutilali (Auditor)

Avv. Alberto Vaglio (Auditor)

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Independent Auditors' report



ab&d

audit business & development spa

REPORT OF THE INDEPENDENT AUDITING COMPANY PURSUANT TO THE COMBINED PROVISION OF ARTICLE 33, PARAGRAPH 1, LETTER A) LAW NO. 165 OF 17 NOVEMBER 2005, AS AMENDED, ARTICLE 68, PARAGRAPH 1, POINTS 2) AND 3) OF LAW NO. 47 OF 23 FEBRUARY 2006, AS AMENDED (COMPANY LAW) AND ARTICLE VIII.I. 1 OF REGULATION 2016-02 EMANATED BY THE CENTRAL BANK OF THE REPUBLIC OF SAN MARINO.

To the shareholders of
BANCA AGRICOLA COMMERCIALE ISTITUTO BANCARIO SAMMARINESE S.p.A.

Introduction

We audited the financial statements of BANCA AGRICOLA COMMERCIALE ISTITUTO BANCARIO SAMMARINESE S.p.A. (hereinafter referred to as the Company or the Bank) made up of the Statement of Assets and Liabilities as of 31/12/2020, the Profit and Loss Account for the year closed at such date and the Explanatory Notes to the Financial Statements, in accordance with Regulation 2016-02 issued by the Central Bank of the Republic of San Marino which governs the drafting criteria.

Scope of the legal audit

We carried out the audit in accordance with the regulations in force in the Republic of San Marino and, where applicable, to international auditing standards. Our responsibilities under these principles are further described in the section of this report entitled Responsibilities of the Auditing firm for the audit of financial statements. We are independent of the Bank in compliance with the rules and principles on ethics and independence applicable in the San Marino system to the audit of financial statements. We believe that we acquired sufficient and appropriate evidence on which to base our judgment.

Responsibilities of directors and the board of statutory auditors 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 on their preparation and, within the terms provided for by law, for the part of the internal audit deemed necessary by the directors themselves to allow the preparation of financial statements without significant errors due to fraud or unintentional behavior or events.

The directors are responsible for the assessment of the Bank's ability to continue operating as an operating entity and, in preparing the financial statements, for the appropriateness of the use of the going concern assumption, as well as for adequate information on the matter. Directors use the going concern assumption in preparing the financial statements unless they have considered that the conditions for the Bank's liquidation or interruption of the business exist or have no realistic alternatives to those choices.

The statutory auditors responsible for supervising, within the terms provided for by law, the process of preparing the company's financial policy.

Responsibility of the auditing firm for the audit of the financial statements

Our objectives are to acquire reasonable certainty that the financial statements as a whole do not contain significant errors, due to fraud or unintentional behavior or events, and to issue an audit report that includes our judgment.

Reasonable certainty means a high level of security which, however, does not provide assurance that an audit carried out in compliance with the legislation in force in the Republic of San Marino and, where applicable, with the international auditing standards, will always identify a significant error, if existing.

Errors can result from fraud or unintentional behavior or events and are considered significant if they can reasonably be expected that they, individually or as a whole, are able to influence the economic decisions made by users on the basis of the financial statements.

As part of the audit carried out in accordance with the legislation in force in the Republic of San Marino and, where applicable, to international auditing standards, we exercised our professional judgment and maintained professional skepticism throughout the audit. Furthermore:

- we identified and assessed the risks of significant errors in the financial statements due to fraud or unintentional behavior or events; we defined and carried out audit procedures in response to these risks; we acquired sufficient carried out audit procedures in response to these risks; we acquired sufficient not detecting a significant error due to fraud is higher than the risk of not detecting a significant error resulting from unintentional behavior or events, since fraud may imply the existence of collusion, forgery, intentional omissions, misleading representations or internal audit forcing;
- we acquired a relevant understanding of the internal control for auditing purposes in order to define appropriate circumstantial audit procedures and not to express an opinion on the effectiveness of the internal control of the Company;
- we have assessed the appropriateness of the accounting principles used, as well as the reasonableness of accounting estimates made by the directors, including the related disclosure;
- we reached a conclusion on the appropriateness of the directors' use of the assumption of business continuity and, based on the audit evidence acquired, on whether there is significant uncertainty regarding events or circumstances that may give rise significant doubts about the Company's ability to continue operating as an operating entity.

- In the presence of significant uncertainty, we are required to draw the attention in the audit report to the related disclosure, that is, if such disclosure is inadequate, to reflect this fact in the formulation of our judgment. Our report. However, subsequent events or circumstances may result in the Company ceasing to operate as an operating entity;
- We assessed the presentation, structure and content of the financial statement as a whole, including disclosure, and whether the financial statements represent the underlying transactions and events in order to provide a correct representation.

We informed the managers of the governance activities, identified at an appropriate level, among other aspects, the scope and timing planned for the audit and the significant results that emerged, including any significant deficiencies in the internal control found during the audit.

Judgment

In our opinion, the financial statements give a true and fair view of the equity and financial situation of BANCA AGRICOLA COMMERCIALE ISTITUTO BANCARIO SAMMARINESE S.p.A. as of 31/12/2020 and the economic result for the year closed on that date.

A note to public disclosure

Without prejudice our judgment, we call attention to the information contained and more detailed in the Management Report and in the Explanatory Notes in relation to the following important facts.

- The financial statements as at 31/12/2020 were prepared by continuing the accrual of adjustments resulting from the AQR (Asset Quality Review) exercise permitted by art. 40 of Law no. 173/2018 together with the authorization of the Supervisory Authority (Prot.no. 20/5553 of 19/06/2020), over a period of 10 years starting from 2019. As a result of the aforementioned accrual process, the suspended value adjustments, recorded under item 130 of assets "Other assets" as of 31/12/2020, amount to € 36,654,094 with an impact on the 2020 profit and loss account of € 4,581,762, recorded under item 140 "Value adjustments to receivables and provisions for guarantees and commitments". In addition, item 80 of Liabilities "Provisions for possible loan losses" recorded in the financial statements as of 31/12/2019 in the amount of € 17,857,990, to complete the adjustments deriving from the remaining AQR exercise, was reduced to zero as of 31/12/2020 as, in the constant monitoring of credit positions, the Bank proceeded to attribute it as a direct adjustment of individual impaired positions.
- As explained in more detail in the Board of Directors' report, the Bank's current capital does not allow compliance with the supervisory regulations both in terms of regulatory capital and for the purposes of compliance with the solvency ratio, however, it is an improvement over that recorded as of 31/12/2019 as a result of the transactions, in part already completed, described in the Board

of Directors' report. the Total Capital Ratio as of 31/12/2020 is 10.11% (8.81% as of 31/12/2019) compared to a minimum regulatory ratio of 11%, discounting the deduction from regulatory capital of the suspended value adjustments referred to in the previous paragraph, as required by the Supervisory Authority. In this regard, the Bank submitted a specific request to the Supervisory Authority, pursuant to Article VII.11.12 of CBSM Regulation 2007-07, in order to be able to take advantage of a waiver of the deduction, in full, of the shareholding in BAC LIFE S.p.A. (recorded in the financial statements at a value of € 6.6 million) which, pursuant to CBSM Regulation 2008-01, is already subject to the measurement of the solvency margin, which is currently respected. With Prot. no. 21/2807 of 09/03/2021, the Supervisory Authority granted BAC, when calculating the shortfall for 2021, not to take into account the positive difference between the interest to be deducted from the Regulatory Capital and the greater of the required solvency margin and the minimum capital established for the exercise of insurance activity by BAC Life. This provision will enable the Bank to continue to converge towards the required regulatory parameters.

- In the first half of 2020, the Bank transferred financial instruments from the free portfolio to the investment portfolio for a countervalue of € 21.8 million, recording a capital gain of € 0.2 million recorded in item 60 of the profit and loss account; this option is provided for by the provision of CBSM Prot. no. 20/3582 of 06/04/2020 against the exceptional situation created by the COVID-19 health emergency.

In the second half of 2020, the Bank also transferred financial instruments from the investment portfolio to the free portfolio for a countervalue of € 40.4 million, recording a net capital gain of € 2.8 million, which flowed into the extraordinary area of the profit and loss account; this option, provided for by the provision of BCSM Prot. no. 20/13417 of 22/12/2020 in view of the exceptional situation created by the COVID-19 health emergency, provides for the obligation to allocate the capital gain to item 130 of liabilities "Other reserves".

All of the above, as explained in greater detail in the report of the Board of Directors and in paragraph 5 of the Explanatory Notes.

- The Bank carried out the revaluation of instrumental real estate, permitted by article 22 of Law no. 113/2020, for an amount of € 3.3 million, as described in more detail in detailed in paragraph "Section 3" of the Explanatory Notes.

- In early 2021, the Bank revised its 2020-2022 three-year Development Plan to take into account the scenario dominated by uncertainty about the evolution of the Covid-19 pandemic and its effects on the economy. In the early months of 2021, the Bank revised its 2020-2022 three-year Development Plan to take into account the scenario dominated by uncertainty about the evolution of the Covid-19 pandemic and its effects on the economy, thus reaching the approval of the 2021-2023 three-year Development Plan, as reported in the "Business Outlook" section. This fact, together with the actions taken by the Bank to deal with the pandemic, as described in the section "Significant events occurred after the end of the year", led to the conclusion that the analyses regarding the existence of the conditions linked to the principle of corporate continuity have been satisfied.

Report on other provisions of law and regulations

Judgment pursuant to article VIII.I.1, paragraph 2, letter a) and b) of Regulation no. 2016-02 issued by the Central Bank of the Republic of San Marino (the Regulation)

The directors of BANCA AGRICOLA COMMERCIALE ISTITUTO BANCARIO SAMMARINESE S.p.A. are responsible for the preparation of the management report as of 31/12/2020, including its consistency with the related financial statements and its compliance with the Regulation.

We carried out the procedures indicated in the Regulation in order to express an opinion on the consistency of the management report with the financial statements of BANCA AGRICOLA COMMERCIALE ISTITUTO BANCARIO SAMMARINESE S.p.A. as of 31/12/2020 and on its compliance with the Regulation, as well as to issue a declaration on any relevant incorrect statements.

In our opinion, the management report is consistent with the financial statements of BANCA AGRICOLA COMMERCIALE ISTITUTO BANCARIO SAMMARINESE S.p.A. as of 31/12/2020 and is prepared in compliance with the Regulation.

With reference to the declaration referred to in article VIII.I.1, paragraph 2, letter b) of the Regulation, based on the knowledge and understanding of the company and the related context acquired during the audit, we have nothing to report.

Other aspects

Although there is no obligation under the current regulatory framework, the Bank prepares its consolidated balance sheet on a voluntary basis, which has not been audited.

San Marino, 1 June 2021

AB & D Audit Business & Development S.p.A.

Marco Stolfi
Director

ab&d

audit business & development spa

DECLARATION

PURSUANT TO ART. 6, PARAGRAPH 10, OF LAW NO. 47 OF 23 FEBRUARY 2006

AND SUBSEQUENT AMENDMENTS AND ADDITIONS

* * * * *

The Undersigned **AUDIT BUSINESS & DEVELOPMENT S.P.A.**, with registered office in Borgo Maggiore in Via Ventotto Luglio no. 212, enrolled in the Public Register of Companies of San Marino with no. 3502 and Economic Operator Code 19612, in the person of its Sole Director Dr. Marco Stolfi, in accordance with the provisions of art. 6, tenth paragraph, Law no. 47 of 23 February 2006 and subsequent amendments and additions

declares

under his own personal responsibility, that the same company retains the objective and subjective conditions required by the aforementioned Law for the appointment as auditor for the company **BANCA AGRICOLA COMMERCIALE ISTITUTO BANCARIO SAMMARINESE S.p.A.**

AB & D Audit Business & Development S.p.A.

Marco Stolfi
Director

San Marino, 1 June 2021

Auditing and accounting firm



ab&d

audit business & development spa

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AB & D Audit Business & Development S.p.A.

Marco Stolfi
Director

San Marino, 1 June 2021

Auditing and accounting firm



BANCA AGRICOLA COMMERCIALE
Istituto Bancario Sammarinese S.p.a.

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