



# Financial statements 2021



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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

**Dennis Beccari**

AUDITOR  
appointed by the shareholders' meeting on 13/10/2021

**Giorgio Rusticali**

AUDITOR

General management

**Micaela Licia Menicucci**

GENERAL MANAGER

**Marco Castronovo**

GENERAL MANAGER

# 02

## Shareholders' meeting



On Tuesday **31 May 2022** – 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 2021 and related decisions;
- 2) Renewal of appointment of the auditing firm AB&D S.p.A;
- 3) Determination of the amount to be allocated to charity.

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#### **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, 3 May 2022

The Chairman of the Board of Directors  
Biagio Bossone

# 03

## Report of the Board of directors



## Report of the board of directors on the 2021 financial statements

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## Macroeconomic scenario

### The international context

The international economy<sup>1</sup> remains strongly affected by the pandemic. The International Monetary Fund (IMF) recently reduced its 2022 growth estimates in light of the spread of the Omicron variant and persistent disruptions in global supply chains. Commodity prices have risen rapidly and consumer inflation has broadly edged higher than before the pandemic. As a result, central banks calibrated the stance of monetary policy, announcing pathways for the unwinding of bond-buying programs and preparing markets for official interest rate hikes.

Risks to the growth outlook remain predominantly tilted to the downside, not only because of the health emergency, but also because of high volatility in commodity prices and financial assets. On the other hand, upside risks to inflation prevail, especially for 2023, as tensions in commodity markets and intermediate goods supply could persist for longer than expected.

### **IMF forecasts and global risks**

On 25 January, the International Monetary Fund (IMF) published updates to its October forecasts. The new estimates assume lower growth expectations for the current year compared to the previous ones, mainly due to the new restrictions introduced to stem the spread of the Omicron variant and the persistent criticality in the supply chains. The world gross domestic product should grow by 4.4% this year (table 1), with a downward revision of five tenths of a percentage point compared to the October estimates. The United States will have the largest downward revision of GDP, equal to 1.2 percentage points, stopping at 4.0%, while in the euro area the expected growth will be reduced by 0.4 percentage points, to 3.9%. As regards inflation, the IMF anticipates a still high price change in the current year of 3.9% in advanced countries and 5.9% in developing countries. In 2023, global gross domestic product is expected to increase by 3.8%, barely more than in October's estimates. According to the IMF, the risks to the global picture remain tilted to the downside. In addition to uncertainties about pandemic developments, supply bottlenecks and volatile commodity prices, the IMF sees several risk factors for financial stability. Central banks in advanced countries, which are facing above-target inflation increases, may not be able to implement the reduction in monetary stimulus in an orderly manner, i.e., without triggering excessive impacts on capital flows to emerging countries; for the latter, there is also a specific factor relating to housing market imbalances in China. In addition, there are the

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<sup>1</sup> Source: upB economic note of February 2022.

now structural risks of geopolitical tensions and adverse natural events, including the climate emergency.

### LATEST WORLD ECONOMIC OUTLOOK GROWTH PROJECTIONS

(real GDP, annual percent change)	ESTIMATE	PROJECTIONS	
	2021	2022	2023
<b>World output</b>	<b>5.9</b>	<b>4.4</b>	<b>3.8</b>
<b>Advanced economies</b>	<b>5.0</b>	<b>3.9</b>	<b>2.6</b>
United States	5.6	4.0	2.6
Euro area	5.2	3.9	2.5
Germany	2.7	3.8	2.5
France	6.7	3.5	1.8
Italy	6.2	3.8	2.2
Spain	4.9	5.8	3.8
Japan	1.6	3.3	1.8
United Kingdom	7.2	4.7	2.3
Canada	4.7	4.1	2.8
Other advanced economies	4.7	3.6	2.9
<b>Emerging market and developing economies</b>	<b>6.5</b>	<b>4.8</b>	<b>4.7</b>
Emerging and developing Asia	7.2	5.9	5.8
China	8.1	4.8	5.2
India	9.0	9.0	7.1
ASEAN-5	3.1	5.6	6.0
Emerging and developing Europe	6.5	3.5	2.9
Russia	4.5	2.8	2.1
Latin America and the Caribbean	6.8	2.4	2.6
Brazil	4.7	0.3	1.6
Mexico	5.3	2.8	2.7
Middle east and central Asia	4.2	4.3	3.6
Saudi Arabia	2.9	4.8	2.8
Sub-Saharan Africa	4.0	3.7	4.0
Nigeria	3.0	2.7	2.7
South Africa	4.6	1.9	1.4
<i>Memorandum</i>			
Emerging market and middle-income economies	6.8	4.8	4.6
Low-income developing countries	3.1	5.3	5.5

Table 1 – IMF (2022) World Economic Outlook update, January.

IMF.org

Fonte: IMF, World Economic Outlook Update, Gennaio 2022

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2021/2022 starting in April 2021. For January 2022 WEO Update, India's growth projections are 8.7 percent in 2022 and 6.6 percent in 2021 based on calendar year. For India the impact of the Omicron variant is captured in the column for 2021 in the table.

### Commodity prices are very volatile

Since last summer, commodity prices have been highly volatile, affected by the economic recovery, supply constraints and the evolution of the pandemic. The price of oil embarked on an upward path until October, fell in November and rose again in the last ten days of December; in recent days, crude oil prices reached 90 dollars per barrel (table 2). Natural gas prices have soared unprecedentedly; from values of just over \$11 per megawatt-hour at the end of December 2019, they reached \$180 per megawatt-hour on December 21. However, quotes are extremely volatile and returned to around \$90 per megawatt-hour in the final days of January. From the end of November to the end of January, the dollar/euro exchange rate stabilized at around 1.12, depreciating compared with the levels recorded at the beginning of the summer (close to 1.20). The weakening of the European currency was caused by expectations of an earlier normalization of monetary policy by the Federal Reserve, due to the acceleration of consumer prices and stronger economic activity in the United States.

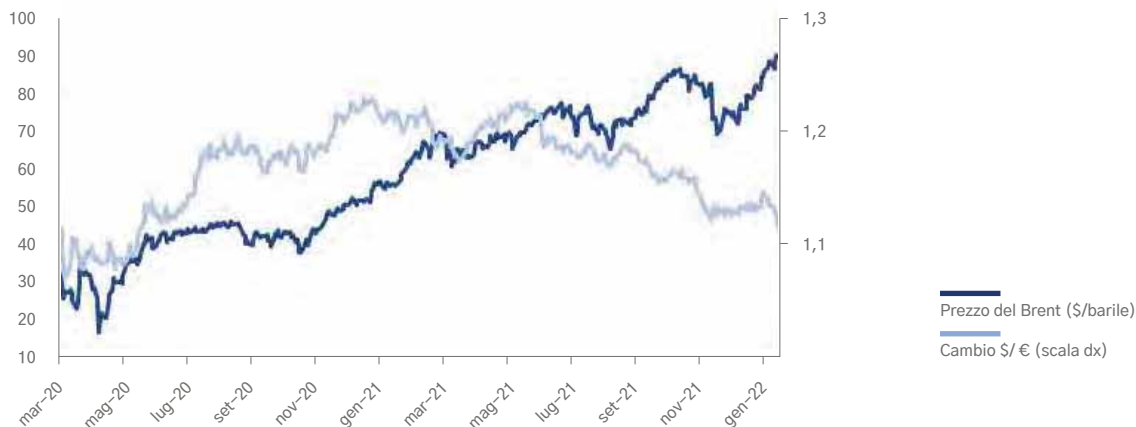


Table 2 – Oil price and exchange rate.

### Inflation still up but market expectations remain anchored

The acceleration of prices, which began last year and was initially considered a temporary phenomenon, is proving to be more persistent than expected. The tendential change in consumer prices reached 7.0% in the United States in December and 5.1% in the Euro area in January (Table 3). These values represent the highest since June 1982 for the United States and since July 1991 for the Euro area; overall in 2021 in the two areas average annual inflation was 4.7% and 2.6%, the highest values since 1990 and 2008 respectively. In light of the most recent developments and in recognition of the fact that the rise in inflation is likely to continue for longer than until recently expected, central banks have begun to review their monetary policy stance. The Fed, which had begun the normalisation process in November, further reduced its monthly purchases of Treasury securities and mortgage derivatives (to USD 20 billion and USD 10 billion respectively) at its January

meeting, announcing their end in March and anticipating an initial increase in benchmark short-term interest rates. In Europe, in December the ECB planned a reduction in asset purchases, until the component relating to the pandemic plan was cancelled at the end of March. To partially compensate, the Asset Purchase Programme (APP) was increased to €40 billion per month in the second quarter and to 30 in the third, before returning to €20 billion per month from October onwards. Despite the continuous increases in inflation on both sides of the Atlantic, operators' expectations have remained more or less unchanged in recent months. In particular, five-year expectations for the euro area since November last year have been around 2.0%, while for the United States they are slightly higher, at around 2.5% (Table 4). Estimates of inflation expectations inferable from financial assets prices may be affected by the difficult identification of the risk component; however, also expectations detected by surveys on consumer expectations (both by the European Commission and the University of Michigan) show a substantial stabilization since October, after several months of growth.

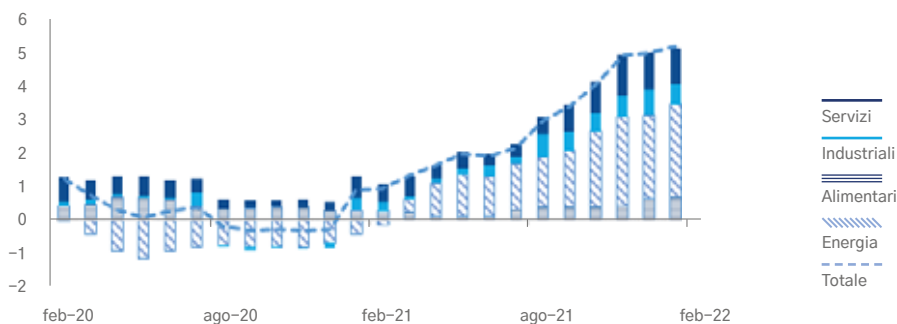


Table 3 – Euro area inflation (annual percentage change and contributions).



Table 4 – Inflation expectations implicit in inflation swaps.

## Financial markets

After the major correction in March 2020<sup>2</sup>, the world's major stock markets rose with few setbacks. America, in particular, had a banner year, with the S&P 500 rising more than 25%.

A sentiment that was largely shared by Europe, where even an index that before the pandemic did not offer exciting performances, such as the Ftse Mib, gained 24.7%.

All this thanks to the rapid progress of the vaccination campaign, the fall of many restrictions and the prospect of a recovery in consumption and travel. Central bank policy, then, remained expansionary. And many governments have put in place ambitious investment plans to revive the post-pandemic economy. In the US they called it the Green New Deal, the European counterpart was the Next Generation Eu.

Japan's Nikkei, hit by the Asian pandemic and turmoil, performed less well than its American and European peers. The Chinese stock market had fared well in 2020, but experienced major hiccups in 2021. The government led by President Xi Jinping has intervened on several occasions to limit the power of its big tech.

At the end of 2021, it effectively halted the giant Antgroup ipo, while in the summer it put in its sights some companies that had listed on Wall Street, such as Didi Global, China's Uber, which ended up under investigation by the Cyberspace Administration of China on charges of "violating regulations on the collection of personal data". Then came the axe on the profits of school tutoring companies, which were barred from foreign investment and required to register as non-profits.

All factors that have frightened institutional investors, triggering a flurry of sales that has caused lists such as the Hong Kong Hang Seng and the Ftse China A50 to lose ground and the crisis in the Chinese real estate market, which has pushed a giant such as Evergrande to the brink of default, whose stock has lost over 90% of its value. Beijing and the Chinese central bank are working to avoid a domino effect.

The sudden economic recovery has heated up commodity prices. The year saw a surge in the price of copper and the downturn in semiconductors, which are critical to the automotive industry and the production of many electronic devices. There was also the sharp rise in energy supply costs, with coal and natural gas prices soaring. The price of oil has also risen, with Brent crude hitting \$80 a barrel.

The energy crisis and the concomitant increase in consumption have triggered an inflationary dynamic which is forcing the central banks to intervene. In the meeting of 16.03.22 the FED decided to proceed with the

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<sup>2</sup> Article from AdviseOnly Editorial Staff.

monetary tightening, increasing the interest rates of 25 points base.

A tightening of monetary policies could trigger a correction in equity markets, but it is also true that excessively high inflation could dampen the recovery and reduce corporate profits. Regulators will have the difficult task of finding the right balance between the two.

#### *Metaverse, cryptocurrencies and Nft: the redemption of the virtual?*

Cryptocurrencies are always in the spotlight, with their vigorous rises but also their mind-boggling volatility. The queen of the sector, Bitcoin, closed 2021 just below €41 thousand in valuation, from around 27 thousand at the start of the year.

The topic of Nft, Not-fungible token, as a new financial instrument, a cryptographic token that represents the deed and the certificate of authenticity written on Blockchain of a unique asset, has been so much deepened and discussed. But also of Metaverse, the parallel digital world announced by Facebook which, for the occasion, has also changed its name to Meta.

## **The Italian economy**

Economic activity reaches levels just below pre-pandemic levels. In the course of 2021, there was a rapid recovery of the Italian economy, also favoured by the easing of the measures against the COVID-19. The jump in GDP in the spring months (2.6% above the average for the second quarter) was followed by a moderate increase in the final part of 2021. The preliminary GDP estimate, released by Istat at the end of January, indicates a cyclical growth of 0.6% in the October-December average. The level of activity reached values half a percentage point below those at the end of 2019, ahead of Germany but slightly behind France and the Euro area (tab.5). The added value of industry and services expanded in the fourth quarter, against a decline in the agricultural sector. On the demand side, the positive contribution of the domestic component (gross of stocks) was partially eroded by the negative contribution of net foreign demand. Overall, in 2021, on the basis of the quarterly accounts, GDP increased by 6.5% compared to the previous year, when it contracted by 8.9%; the statistical drag for the current year is 2.4 percentage points.

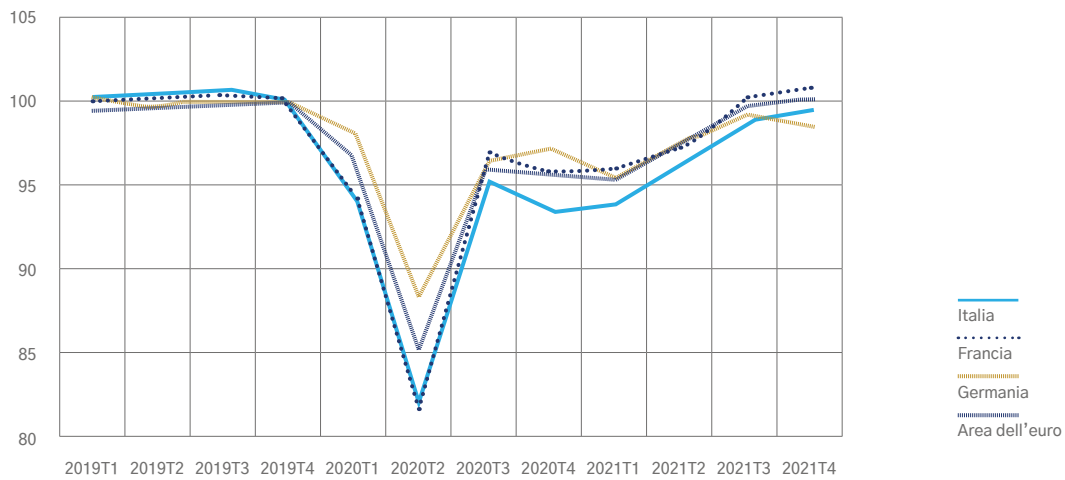


Table 5 – GDP of the Euro area and its three largest economies.

The sectoral economic indicators of the last few months are consistent with a moderate expansionary phase, although there are many signs of a slowdown. In the final part of 2021, the manufacturing PMI remained in the expansion area, however, in January there was a decline, by almost two points (to 58.3) compared to December; the deterioration reflected not only continuing tensions in logistics, materials availability and production costs but also the slowdown in orders and staff shortages due to COVID-19. The composite index of business confidence, obtained as a weighted average of sectoral climates, also stabilised in the fourth quarter compared to the July–September average, while it worsened significantly in January. Inflation rises again – Last year was characterised by marked price increases across all expenditure items, including energy goods. Consumer inflation averaged 1.9% for the year (up from -0.2 in 2020), the highest value since 2012; over the course of 2021, tendential price changes gradually strengthened, rising from one per cent in the spring months to around four at the end of the year. Italian inflation in 2021 was still lower than that of the Euro area (2.6 per cent), with respect to which the negative differential widened, configuring gains in price competitiveness for exports.

**Economic activity in 2021–23**

The preliminary forecast for 2021 takes into account the cyclical increase in GDP in the last quarter (0.6% according to the preliminary estimate of ISTAT), on the basis of which GDP increased by 6.5% in 2021 (Table 1). This year economic activity would continue to expand, by 3.9%; after a very weak first quarter due to the pandemic recrudescence, growth is expected to strengthen from the spring, taking advantage of the progressive improvement in health conditions. By the current half of the year, activity would reach end-2019 levels. In 2023, GDP would continue the gradual path of normalisation, slowing to 1.9%, partly due to the less expansionary stance of economic policies. The forecast assumes the full implementation of the investment programmes of the NRP, agreed at the EU level, as well

as the full effectiveness of the ECB's monetary policy measures, which are expected to gradually unwind starting this year. The set of stimulus measures financed with European funds and with the budget package for 2022 would support GDP by approximately three percentage points in the three-year period 2021–23.

DESCRIPTION	2020	2021	2022	2023
<b>INTERNATIONAL EXOGENOUS</b>				
International Trade	-8,6	10,3	5,5	4,2
Oil price (Brent, dollars per barrel)	41,8	70,7	84,3	77,4
Dollar/euro exchange rate	1,14	1,18	1,13	1,15
<b>ITALIAN FRAMEWORK</b>				
GDP	-8,9	6,5	3,9	1,9
imports of goods and services	-12,9	12,4	5,8	5,8
Domestic final consumption	-7,8	4,1	3,2	1,9
Household and ISP consumption	-10,7	5,1	4,2	2,7
PA Expenditure	1,9	1	0,1	-0,4
Investment	-9,2	16,1	6,5	4,9
Exports Goods and Services	-14	12,7	5,9	3,8
<b>CONTRIBUTIONS TO GDP GROWTH</b>				
Net exports	-0,8	0,5	0,2	-0,5
Stocks	-0,4	-0,1	0,0	-0,1
Domestic demand net of inventories	-7,7	6,0	3,7	2,4
<b>PRICES AND NOMINAL GROWTH</b>				
Imports deflator	-4,1	7,1	5,2	0,6
Export deflator	-0,5	4,4	3,7	0,8
Consumption deflator	-0,3	1,9	3,6	1,8
GDP deflator	1,2	1,3	2,5	1,7
Nominal GDP	-7,9	7,9	6,5	3,6
<b>LABOR MARKET</b>				
Labor cost per employee	2,8	1,4	1,7	1,9
Employment (working units per year)	-10,3	6,1	4,2	1,8
Unemployment rate	9,3	9,5	9,1	8,9

Table 6 – Forecast of the Italian economy (1).

(1) Percentage changes, except for contributions to GDP growth (percentage points), the rate of unemployment (percentage), exchange rate and oil price (levels). Due to the effect of rounding on growth rates, to the first decimal place, the sum of changes in quantities in volume and related deflators may not coincide with nominal dynamics.



## The Russian–Ukrainian crisis

The crisis between Russia and Ukraine is progressing at a rapid pace, but there remains great uncertainty about what form the military conflict might take<sup>3</sup>.

Further military escalation would likely have global macroeconomic implications. European natural gas and oil prices could remain at very high levels. Meanwhile, prices of some metals (e.g., aluminum) and agricultural commodities (e.g., wheat) have also risen sharply as Russia and Ukraine are among the largest producers. Rising commodity prices would push up headline inflation further, which in turn could give central banks another reason to raise interest rates.

Regardless of how the current crisis unravels, there could be long-term consequences. The crisis could accelerate decoupling – a reduction in economic and trade ties – between Russia and the United States. The EU is likely to face intense pressure to reduce its energy dependence on, and cooperation with, Moscow. There could also be implications for the speed of decoupling between the US and China, as relations between Beijing and Moscow appear to be closer than ever. A more fragmented world would, no doubt, experience more flare-ups of geopolitical tensions, potentially leading to greater market volatility.

## The San Marino scenario

At the end of its 2021 annual mission, in accordance with art. 4 of its Articles of Association, the International Monetary Fund underlined the “resilience” of the Titan in the face of the pandemic challenge and the effectiveness of the vaccination campaign, in which the Republic of San Marino was a world leader in terms of speed and population coverage. Specifically, the package of policies aimed at supporting the economic fabric was particularly appreciated: the expansion of the redundancy fund, moratoria and extension of tax deadlines to support the liquidity of the private sector, all crucial steps to avoid bankruptcies, mass lay-offs and to maintain confidence in the system. Exports, imports, domestic consumption, employment and government revenues are now above pre-pandemic levels.

Once the economy stabilized, in late 2020 San Marino gained access to international capital markets for the first time in the country’s history. It first obtained a bilateral loan and then, in early 2021, issued a Eurobond. This allowed San Marino to provide additional budgetary resources in the form of grants to the economic sectors most affected by the pandemic.

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<sup>3</sup> Article from “La Repubblica” Emerging Market Economist of Abrdn.

Ambitious steps have been taken to address the problems in the banking sector inherited from the past. A €455 million perpetual bond (33% of GDP) was issued to cover the past losses of the public bank Cassa di Risparmio di San Marino (CRSM). At the same time, CRSM's liquidity was brought to a reasonable level through the early redemption of a €94 million bond by the government. The Central Bank of San Marino (CBSM) intensified its supervisory efforts, revised the regulations of the tests of good standing and professionalism, and revoked the license of Banca Nazionale Sammarinese (BNS), formerly Banca CIS, now converted into a public asset recovery institution with a government guarantee on all bondholders. Despite efforts to improve the efficiency of the banking sector by reducing overall costs, the process has stalled and cost-income ratios remain high. However, at the same time, confidence has been significantly boosted, as evidenced by the recent increase in bank deposits. Addressing the large amount of Non-Performing Loans (NPLs) remains the banking system's key challenge. Plans to follow the ECB's timeline-based guidelines for resolution of legacy NPLs are welcomed and will ensure that going forward, banks address NPL resolution in a timely manner. The strong response to the pandemic, and especially the substantial public support to the financial system, has significantly increased public debt. Official government debt increased from 32% of GDP at the end of 2019 to 105% of GDP. At the same time, central government deposits increased to 15% of GDP. Public debt is expected to peak this year and decline moderately thereafter. However, this trend is not robust enough to cope with most potential shocks. The extremely high size of the Eurobond poses new challenges in the event of less favourable international financial conditions. Although San Marino's interest payments are expected to remain manageable, at below 3% of GDP, the size of the Eurobond and its short three-year maturity imply that San Marino's gross financing needs will rise to a daunting 24% of GDP in 2024, which represents a key new challenge for the country. Reforms that preserve and sustain macroeconomic stability should be complemented by structural reforms needed to stimulate long-term growth. An ambitious plan to improve the business climate is being developed, consisting of digitalisation and cutting red tape, while further integration with the EU is being pursued.

### **Main interventions of the Financial Law no. 207 of 22 December 2021**

In relation to this legislation, it should be noted that, in case of liquidity needs, the State will be able to issue up to €150 million of Public Debt Securities to be placed on the domestic or international market, by 31 December 2022. In April 2022, the State Congress announced the issuance of a domestic bond. 'The first attempt at an in-house, domestic bond issue'. It will be the equivalent of a Bot. It will have a term of one year with an interest rate close to domestic rates, lower than issues already made in the markets. As far as the amount is concerned, it will be 50 million, to be used for investment activities in infrastructures or for recovery activities in tourist or institutional areas. This issue can be an investment opportunity for San Marino citizens, especially for those who have regained confidence in the San Marino system and want to bring economic and financial resources back to the Republic.

Article 4 introduces a tax to encourage the repatriation of capital held abroad, aimed at individuals who have been resident in the territory for more than five continuous years, and will concern investments in securities or financial products and sums of money deposited in accounts or savings books exceeding €20,000. A proportional tax rate of 0.2% will be applied. Pension Funds are also under the spotlight: a Decree will be issued to address the critical management issues of Fondiss.

### **San Marino innovation and blockchain**

The year 2021 marks a significant increase of the reality of San Marino Innovation; in fact, 75 High-Tech Companies are now operating in the Republic, working under the innovation regime. These companies operate in different fields, from industry to services, including the health and biological sectors, and currently employ 127 workers. These numbers are even more important if compared to a peculiarity at the basis of the High-Tech Companies: the specialisation they have and offer, contributing in a decisive way to the growth of the know-how present in San Marino. This is, in short, the added value of San Marino Innovation, which has encountered a growing interest on the part of the business world in the innovation sector, so much so that, in the course of 2021, as many as 51 requests for evaluation to access the innovation regime were received.

Blockchain is synonymous with opportunity: the opportunity to innovate, but also to create a space for cultural exchange, where technology and innovation are mixed to spread new messages, new imagery and new perspectives. San Marino Innovation has organized a Workshop dedicated to operators in the sector, but also to companies and professionals interested in the opportunities offered by this technology. The aim of the course is not only to have a first moment of in-depth study and training for professionals in the sector on issues related to blockchain and virtual assets, but also to mark the beginning of a path that involves all companies, professionals and operators in the sector and gives them new tools, with a view to consolidate that innovative ecosystem, strategic for the Republic. New business opportunities for the future are represented by the services offered by blockchain technology, Smart Contracts and Tokens, up to the storage of cryptocurrencies.

### **Statistical economic report**

The Statistical Economic Report of 20.11.21, which accompanies the presentation of the Annual and Multi-Year Forecast Budgets of the State and Public Entities to the Great and General Council, shows that, compared with the forecasts published in April 2021 by the IMF, which showed a reduction in gross domestic product of -9.7 percentage points for 2020, the estimates were revised upward in the latest report of October 2021 (Weo), indicating a reduction of -6.5 percentage points in output. Estimates for 2021 were also revised upward from an estimated +4.5 percentage point growth in April to a projected +5.5 percentage point growth in October.

**PROJECTED EVOLUTION OF GROSS DOMESTIC PRODUCT**

	2018	2019	2020	2021	2022	2023	2024
France	1,8	1,8	-8,0	6,3	3,9	1,8	1,5
Germany	1,1	1,1	-4,6	3,1	4,6	1,6	1,4
Italy	0,9	0,3	-8,9	5,8	4,2	1,6	1,0
San Marino	1,5	2,4	-6,5	5,5	3,7	1,5	1,3
Spain	2,3	2,1	-10,8	5,7	6,4	2,6	2,0
United Kingdom	1,3	1,4	-9,8	6,8	5,0	1,9	1,6

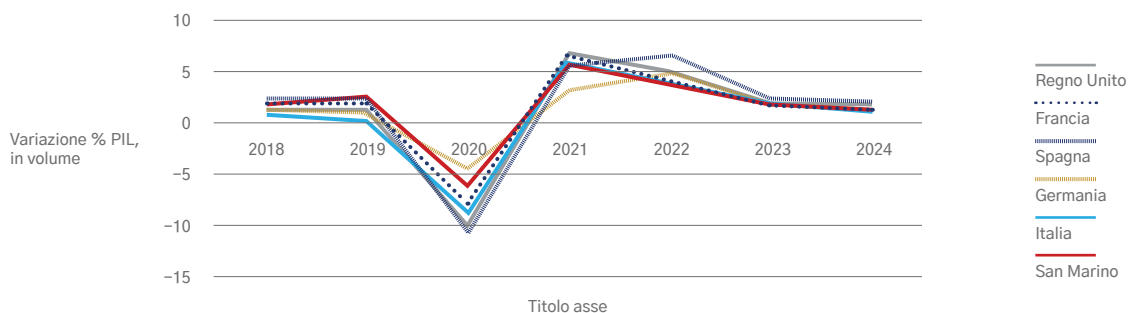


Table 7 – Projected evolution of Gross Domestic Product.

The manufacturing sector is reconfirmed as the most important sector in 2020, with a contribution of 33.53%, followed by the Public Administration and Defence sector; compulsory social insurance with 15.23% and the wholesale and retail trade; repair of motor vehicles and motorcycles with 13.35%.

Economic activity sector (ATECO)	2018	2019	2020
Agriculture, forestry and fishing	0,02%	0,02%	0,02%
Manufacturing activities	34,77%	32,93%	33,53%
Water Supply; sewerage networks, waste management and remediation activities	0,17%	0,23%	0,32%
Construction	4,18%	4,28%	4,09%
Wholesale and retail trade; repair of motor vehicles and motorcycles	12,41%	12,49%	13,35%
Transportation and warehousing	2,55%	2,46%	2,08%
Accommodation and food services activities	2,01%	2,14%	1,34%
Information and communication services	4,39%	4,78%	5,18%
Financial and insurance activities	5,38%	5,17%	4,56%
Real estate activities	6,77%	6,80%	7,05%
Professional, scientific and technical activities	6,38%	7,20%	8,05%
Rental, travel agencies, business support services	2,22%	2,90%	1,81%
Public administration and defense; compulsory social insurance	14,72%	14,51%	15,23%
Education	0,09%	0,15%	0,23%
Health care and social assistance	1,19%	1,22%	1,10%
Arts, sports activities, entertainment and amusement	1,63%	1,62%	1,17%
Other Service Activities	1,12%	1,11%	0,91%

### Banking system data<sup>4</sup>

In the quarterly information bulletin referring to the statistical data of the banking system as of 31 December 2021, the summary indicates that the regulatory and legislative part was a relevant feature of the fourth quarter of 2021. Several delegated decrees were issued with which the Great and General Council continued on the path of alignment towards regulatory standards in financial matters, consistent with the Monetary Convention signed by the Republic of San Marino. Other measures concerned the company Poste San Marino, refunds to SMI trustees and the closure of liquidation procedures. Measures were issued on the custody of assets in order to expand the services offered related to new technologies. As for the structure of the financial system, 12 companies are registered in the Register of Authorised Subjects, four of which are banks. The presence of a new foreign financial company authorised to operate under the PSSS regime (provision of services without establishment) was noted. Compared to the previous quarter: savings deposits as of 31.12.21 increased by

<sup>4</sup> Source: Quarterly Bulletin CBSM–data as of 31–12–21.

€51 million (eop amounted to €3,614 million) for +1.4%, amounts due to customers increased by €106 million, while payables represented by financial instruments decreased by €55 million. These variances are related to the transfer of deposits from an institutional entity from the Central Bank to the banking system, liquidity contributions from customers and the repayment of Certificates of Deposit and bank bonds contributed to the increase in amounts due to customers. Indirect deposits increased by €45 million to €1,901 million (+2.4%), with all components (asset management, custody and administration and depository bank activities) increasing. Compared to the third quarter of 2021, gross loans to customers decreased by €48 million, and gross non-performing loans decreased by €24 million. Net loans to customers (€1,310 million), decreased by €44 million (-3.2%). The above changes mainly refer to the maturities of loans, the write-off of loans considered no longer collectible and the extinction of loans by entering into settlement agreements with acquisition of the asset pledged as collateral. As of 31.12.21, shareholders' equity of the banking system amounted to €277 million, up by €29 million (+ 11.6%) compared to 30.09.21. This difference is attributable to the coverage of the loss for the year 2020 of Cassa di Risparmio di San Marino (€26.9 million) by the State and the results of the banking system (+ €1.4 million compared to 30.09.21):

San Marino banking system	30/09/2021	31/12/2021	Delta ctv	Delta %
<b>Total deposits</b>	<b>5.420</b>	<b>5.515</b>	<b>95</b>	<b>1,75%</b>
<b>Direct deposits</b>	<b>3.564</b>	<b>3.614</b>	<b>50</b>	<b>1,40%</b>
Savings deposits	3.563	3.614	51	1,4%
Due to customers	2.469	2.575	106	4,3%
Debts represented by financial instruments	1.091	1.036	-55	-5,0%
Interbank deposits	1	1	-1	-59,0%
<b>Indirect Deposits</b>	<b>1.855</b>	<b>1.901</b>	<b>45</b>	<b>2,4%</b>
Gross loans to customers (including leasing)	2.223	2.175	-48	-2,2%
of which doubtful loans	1.347	1.320	-27	-2,0%
Net loans to customers (including leasing)	1.353	1.310	-43	-3,2%
of which doubtful loans	485	462	-23	-4,8%
<b>Net equity</b>	<b>248</b>	<b>277</b>	<b>29</b>	<b>11,6%</b>

Data source: "Central Bank RSM, information bulletin Q4 2021, data in millions of euros".

## The evolution of the regulatory framework and compliance activities

### San Marino legislation and regulations and compliance activities

During the year 2021, the Compliance Function of the BAC Group adapted internal regulations, procedures and processes to the San Marino regulatory framework.

The primary legislation enacted by the Legislature, given the continuation of the Covid-19 state of health emergency, mainly concerns provisions on the subject and consequent interventions in the economic sphere. Also of note are the Laws containing amending provisions on matters of procedure and civil law, and supplementary measures for the securitization of loans.

### Banking and financial regulation

With regard to banking and financial matters, the evolution of the regulatory framework of the Republic of San Marino continued with the implementation of further Community Directives (the “acquis communautaire” in financial matters) as set forth in the Monetary Agreement signed between the Republic of San Marino and the European Union on 27 March 2012, made executive with Council Decree no. 120 of 7 August 2012.

The Regulations issued by the Central Bank of the Republic of San Marino in the year 2021 are cited below:

#### **Regulation 2021-01**

*“Miscellaneous Targeted Revisions to Existing Supervisory Provisions”*, which came into force on 17.05.2021, strengthens the regulatory standards on the effectiveness of the system of internal controls, supervision of organisational structures and clarity of financial statement disclosures.

#### **Regulation 2021-02**

*“Regulation on financial companies' hardship procedures”*, which came into force on 16.07.2021, regulates the hardship procedures by including in a single measure, with a predominantly procedural content, both the extraordinary procedures under Law no. 165 of 17 November 2005 and subsequent amendments (suspension of administrative bodies, extraordinary administration, administrative compulsory liquidation), and the bank resolution procedure under Law 102/2019.

### Regulation 2021-03

“Regulation for the custody service of virtual assets by Banks”, which entered into force on 15.10.2021 implements article 10 of Delegated Decree no.111 of 23 June 2021 and regulates the provision in the Republic of San Marino, of the virtual asset custody service reserved to Banks authorized pursuant to Law no.165 of 17 November 2005 and subsequent amendments.

The following measures of interest to the banking system are also mentioned:

**Delegated Decree No. 84 of 30 April 2021** “Review and update of the current regulations on the protection of natural persons with regard to the processing of personal data referred to in Law 171/2018” and **Delegated Decree No. 138 of 19 July 2021** “Ratification of Delegated Decree No. 84 of 30 April 2021 – Review and update of the current regulations on the protection of natural persons with regard to the processing of personal data referred to in Law No. 171 of 21 December 2018”.

The innovations introduced essentially concern the Guarantor Authority and its functions, modifying both the aspects concerning the collaboration between the Authority and the Data Controllers, as well as the sanctioning mechanism.

**Delegated Decree No. 87 of 10 May 2021** “Rules on virtual asset custody service” and **Delegated Decree No. 111 of 23 June 2021** (Ratification of Delegated Decree No. 87 of 10 May 2021) “Rules on virtual asset custody service”.

The measure regulates the procedures for the ancillary provision of virtual asset custody services. Banks intending to apply for authorisation from the Central Bank of the Republic of San Marino are required to adopt adequate procedures to safeguard customers’ property rights.

### Delegated Decree No. 90 of 17 May 2021

“Amendments to Law No. 47 of 23 February 2006, as amended – Companies Law”. The measure is part of a broader project for the reform of company law aimed at reforming the parts relating to the establishment of the Register of Companies and the related obligations, for professionals, of transmission and filing of acts. It should be noted that these changes are mainly of a “technical” nature, through the on-line display of the Register of Companies to supervised entities pursuant to Law 165/2005, as well as to qualified Professionals and other entities indicated in specific Regulations approved by the Congress of State.

### Law no.154 of 27 August 2021

“Provisions on civil procedure and civil law”. The measure entered into force on 01.09.2021, amending art.148 of Law no.165 of 17 November 2005, introduces changes to the institution of the “Marciano Pact” and the documental summary procedure. Further novelties introduced concern the provisions on the limits to attachability and on the sale of assets subject to enforcement.



### **Law no. 157 of 30 August 2021**

*“Measures and instruments for the securitization of credits”*. The measure, which came into force on 04.09.2021, contains the regulation of securitisations in general, in particular the transactions for the sale of securitised assets (both existing and future pecuniary loans, identifiable en bloc if they are a plurality of loans or immovable or movable registered assets and rights in rem or even personal rights if they relate to the same assets). A part of the regulation is specifically dedicated to the securitization of public interest having as its object banking assets, which include doubtful and non-performing loans (together with the real and personal guarantees that assist them), performing loans, non-instrumental assets, real or movable property already registered, already acquired for debt collection or for aggregation and securities transactions.

### **Delegated Decree No. 175 of 14 October 2021**

*“Amendments to Law No. 101 of 29 July 2013 in transposition of Council Regulation (EU) 2015/159, B.C.E. Decisions (EU) 2019/2195 and 2020/2090 and B.C.E. Guideline (EU) 2020/2091”*. The measure supplements and amends the text of Law 101/2013 “Collection of Provisions on Banknotes and Coins” and presupposes the adoption of implementing rules by the Central Bank.

### **Ordinary Law No. 183 of 29 October 2021**

*“Variation to the Budget of the State and the Entities of the Enlarged Public Sector for the financial year 2021 and amendments to Law no. 223 of 23 December 2020”*. The measure which came into force on 3 November 2021 contains the repeal of the Statistical Currency Communications and the extension of special rules on real estate headers related to leasing.

### **Delegated Decree no. 193 of 30 November 2021**

*“Provisions on fraud and counterfeiting of non-cash means of payment in transposition of EU Directive 2019/713”*. The Decree aimed at transposing EU Directive 2019/713 on combating fraud and counterfeiting of non-cash means of payment, introduces amendments and additions to the Criminal Code and updates Annex 2-bis of Law no. 165 of 17 November 2005, as amended.

### **Delegated Decree No. 196 dated 7 December 2021**

*“New provisions on the declaration of assets, financial assets and company shares held abroad – Amendments to Delegated Decree no. 199 dated 13 November 2020”*. The Decree regulates the obligations to declare assets, financial assets and company shares held abroad, susceptible to produce income, by natural persons, legally recognized associations, foundations, trusts and fiduciary trusts, tax residents in the Republic of San Marino, in order to monitor the correct fulfilment of tax obligations in relation to income wherever produced pursuant to Law no.166 of 16 December 2013 “General Income Tax”.



### **Law no. 207 of 22 December 2021**

*“Budget of the State and Public Entities for the 2022 financial year and 2022/2024 Multi-Year Budgets”*, containing rules on subsidised loans, ecobonus for the energy requalification of existing buildings and sismabonus for the reduction of seismic risk. The 2022 Budget Law also contains provisions for the recalculation of the purchase values of equity investments and financial instruments and programmatic rules concerning interventions for the reorganisation and optimisation of resources for employment policies and active policies to strengthen the financial system, and extraordinary measures for the containment and management of the Covid-19 pandemic.

### **Delegated Decree No. 211 of 24 December 2021**

*“Provisions on financial matters in transposition of EU Regulations 648/2012, 909/2014, 2365/2015 and 1011/2016”*. The measure aimed at the Transposition of the above-mentioned EU Regulations in financial matters presupposes the adoption of implementing rules by the Central Bank. Mention should also be made of the provisions amending Law no. 31 of 18 February 1998 “Framework law on health and safety in the workplace”:

### **Law no.191 of 26 November 2021**

*“Amendments to Law no.31 of 18 February 1998 – Framework law on safety and health in the workplace”*.

### **Delegated Decree no.202 of 15 December 2021**

*“Protection of the safety and health of workers who carry out activities on equipment fitted with video terminals”*.

## Anti-money laundering legislation and regulations

In the field of anti-money laundering the measures and publications FIA are presented below:

### **Congress of State Resolution no. 16 of 12 April 2021**

*"Update on High-Risk Countries pursuant to Article 16 undicies of Law 92/2008".*

### **Congress of State Resolution no.15 of 20 December 2021**

*"Update on High-Risk Countries pursuant to Article 16 undicies of Law 92/2008".*

### **FIA Newsletter 2021/01 published on 20.01.2021**

*"News related to the fight against money laundering and terrorist financing published on the main national and international websites",* which aims to provide useful information for the prevention and fight against money laundering and terrorist financing. The publication identifies case histories, indicators, trends and patterns of money laundering and terrorist financing that facilitate the identification of suspicious transactions.

### **FIA Newsletter 2021/02 published on 07.04.2021**

*"News related to the fight against money laundering and terrorist financing published on the main national and international websites",* in which are highlighted the contexts at risk of possible illicit operations related to the exploitation of vulnerabilities related to the Covid-19 pandemic.

### **FIA Newsletter 2021/03 published on 07.06.2021**

*"News related to the fight against money laundering and terrorist financing published on the main national and international websites",* reporting the latest trends found in the recent investigation activities in order to grasp the patterns by which money laundering and money laundering predicate offences are perpetrated. The criminal activities triggered by the pandemic will not end with the fading of the health emergency and monitoring is essential in order to interpret any signs of anomalies.

### **FIA Newsletter 2021/04 published on 06.10.2021**

*"News related to the fight against money laundering and terrorist financing published on the main national and international websites",* in which risk contexts and signs of anomalies are highlighted in order to comply consciously with the obligations of due diligence and reporting requirements.

### **FIA Newsletter 2021/05 published on 13.01.2022**

*"News related to the fight against money laundering and terrorist financing published on the main national and international websites",* reporting the latest trends related to the economic sectors most involved in the Italian and European investigations.

## Main legislative measures in the San Marino legal system

Regulatory reference	Title
Decree Law no.1 of 5 January 2021	"Additional provisions to combat the spread of the COVID-19 outbreak".
Decree Law no.4 of 14 January 2021	"Extension of provisions to combat the spread of the COVID-19 outbreak and additional measures in education".
Decree Law no. 6 of 26 January 2021 (Ratification of Decree Law no. 224 of 31 December 2020)	"Extraordinary economic interventions in support of the economic emergency caused by COVID-19".
Delegated Decree no.7 of 27 January 2021	"Transitional provisions for the presentation of the financial statements of economic operators".
FIA Newsletter 2021/01 published 20.01.2021	"News related to the fight against money laundering and terrorist financing published on major national and international websites".
Decree Law No. 14 of 29 January 2021 (Ratification of Decree Law No. 206 of 26 November 2020)	"Additional provisions to combat the spread of the COVID-19 outbreak".
Decree Law no. 15 of 29 January 2021	"Extension and amendment of provisions to combat the spread of the COVID-19 outbreak".
Regulation no. 2 of 4 February 2021	Amendments to Regulation no.3 of 11 May 2020 "Implementing provisions 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 address the emergency Covid-19".
Delegated Decree no. 18 of 4 February 2021	"Revision of the rules on stamp duty and electronic submission of applications and requests by the Administration".
Delegated Decree no. 20 of 12 February 2021	"Change in the cost of living and the relevant coefficients referred to in Article 32, paragraph nine, of Law no 15 of 11 February 1983, as amended".
Delegated Decree no. 21 of 12 February 2021	"Determination of the maximum annual remuneration referred to in Article 32(6) of Law No 15 of 11 February 1983, as amended".
Decree Law no. 22 of 12 February 2021	"Updating and extending the provisions to counter the spread of the COVID-19 outbreak".
Delegated Decree no.25 of 22 February 2021	"Amendments to Delegated Decree no. 44 of 27 April 2012 – Environmental Code and subsequent amendments – Incentives for proper waste management".
Decree Law no. 46 of 27 February 2021	"Reinforcement and containment measures to promote the effectiveness of the COVID-19 vaccine campaign".

Delegated Decree no.49 of 4 March 2021	"Extraordinary support and relief measures to support economic operators following the COVID-19 health emergency".
Delegated Decree no.51 of 11 March 2021	"Definition of the Maximum Spread and the nominal interest rate to be applied until 30 September 2021 to loans assisted by the State contribution referred to in Law no. 44 of 31 March 2015, as amended".
Decree Law no.52 of 18 March 2021	"Enhancement and extension of measures to counter the spread of the COVID-19 outbreak".
Decree Law no. 57 of 23 March 2021 (Ratification of Decree Law no. 46 of 27 February 2021)	"Reinforcement and containment measures to promote the effectiveness of the COVID-19 vaccination campaign".
Decree Law no. 58 of 23 March 2021 (Ratification of Decree Law no. 52 of 18 March 2021)	"Enhancement and extension of measures to counter the spread of the COVID-19 outbreak".
Delegated Decree no. 60 of 26 March 2021 (Ratification of Delegated Decree no. 49 of 4 March 2021)	"Extraordinary support and relief measures to support economic operators following the COVID-19 health emergency".
Delegated Decree no. 61 of 29 March 2021 (Ratification of Delegated Decree no. 18 of 4 February 2021)	"Revision of the rules on stamp duty and electronic submission of applications and requests by the Administration".
Decree Law no. 62 of 31 March 2021	"Enhancement and further extension of measures to counter the spread of the COVID-19 outbreak".
Decree Law no. 63 of 8 April 2021	"Provisions for a gradual relaxation of management measures for the COVID-19 outbreak".
FIA Newsletter 2021/02 published 07.04.2021	"News related to the fight against money laundering and terrorist financing published on major national and international websites".
Congress of State Resolution No. 16 of 12 April 2021	"Update on High-Risk Countries pursuant to art.16 undicies of Law 92/2008".
Decree Law no. 72 of 28 April 2021 (Ratification of Decree Law no. 63 of 8 April 2021)	"Provisions for a gradual relaxation of management measures for the COVID-19 outbreak".
Delegated Decree no.73 of 29 April 2021	"Interventions to support families as well as economic operators following the health emergency from COVID-19 – Amendments to the Decree Law no.91 of 26 May 2020 and the Delegated Decree no.60 of 26 March 2021".
Delegated Decree no.84 of 30 April 2021	"Review and update of the current regulations on the protection of natural persons with regard to the processing of personal data referred to in Law 171/2018"
Decree Law no.85 of 30 April 2021	"Additional provisions for relaxation of management measures for the COVID-19 outbreak".
Delegated Decree no.87 of 10 May 2021	"Rules on the custody service of virtual assets".
CBSM Regulation 2021-01	"Miscellany of Targeted Revisions to Existing Supervisory Provisions".

Decree Law no.88 of 13 May 2021	"Amendments to Law no. 118 of 28 June 2010 and subsequent amendments – Law on the entry and stay of foreigners in the Republic".
Delegated Decree no.90 of 17 May 2021	"Amendments to Law no. 47 of 23 February 2006 and subsequent amendments – Company Law".
Delegated Decree no.91 of 20 May 2021 (Ratification of Delegated Decree no.25 of 22 February 2021)	"Amendments to Delegated Decree no. 44 of 27 April 2012 – Environmental Code and subsequent amendments – Incentives for proper waste management".
Delegated Decree no. 95 of 25 May 2021 (Ratification of Delegated Decree no. 73 of 29 April 2021)	"Ratification of Delegated Decree no.73 of 29 April 2021 – Interventions to support families as well as economic operators following the health emergency from COVID-19 – Amendments to the Decree Law no.91 of 26 May 2020 and Delegated Decree no.60 of 26 March 2021".
Decree Law no.97 of 1 June 2021	"Update of provisions for relaxation of management measures for the COVID-19 outbreak".
Errata corrige Decree Law no.97 of 1 June 2021	"Update of provisions for relaxation of management measures for the COVID-19 outbreak".
Delegated Decree no.98 of 2 June 2021	"Single Document of San Marino Contribution Regularity (DURCS)".
Delegated Decree no.100 of 2 June 2021	"Rent adjustment for residential buildings".
Delegated Decree no.101 of 2 June 2021	"Rent update for buildings used for professional, business and social activities".
FIA Newsletter 2021/03 published 03.06.2021	"News related to the fight against money laundering and terrorist financing published on major national and international websites".
Decree Law no. 107 of 16 June 2021 (Ratification of Decree Law no. 97 of 1 June 2021)	"Update of provisions for relaxation of management measures for the COVID-19 outbreak".
Delegated Decree no.111 of 23 June 2021 (Ratification of Delegated Decree no.87 of 10 May 2021)	"Rules on the custody service of virtual assets".
Delegated Decree no. 117 of 25 June 2021 (Ratification of Delegated Decree no. 98 of 2 June 2021)	"Single Document of San Marino Contribution Regularity (DURCS)".
Decree Law no.118 of 25 June 2021	"Urgent measures on the financial system of San Marino".
Decree Law no.121 of 29 June 2021	"Extension of special interventions in the field of collective redundancies and social safety nets".
Decree Law no.124 of 30 June 2021	"Extension of provisions for relaxation of management measures for the COVID-19 outbreak and additional measures".
Decree Law no.133 of 19 July 2021	"Urgent measures on the financial system of San Marino".

Decree Law no. 134 of 19 July 2021 (Ratification of Delegated Decree no. 124 of 30 June 2021)	"Extension of provisions for relaxation of management measures for the COVID-19 outbreak and additional measures".
Delegated Decree no. 138 of 19 July 2021 (Ratification of Delegated Decree no. 84 of 30 April 2021)	"Review and update of the current regulations on the protection of natural persons with regard to the processing of personal data referred to in Law 171/2018".
Decree Law no.139 of 26 July 2021	"Extension of extraordinary economic assistance in support of the economic emergency caused by COVID-19".
Delegated Decree no.147 of 5 August 2021	"New provisions regulating the exchange of goods between the Republic of San Marino and the Italian Republic – Amendments to Law no. 134 of 21 December 1993".
Delegated Decree no.148 of 5 August 2021	"Of electronic invoicing in the interchange of goods and services with Italy".
Law no. 154 of 27 August 2021	"Provisions on civil procedure and civil law".
Law no. 157 of 30 August 2021	"Measures and instruments for the securitisation of credits".
Decree Law no.158 of 30 August 2021	"Extension of the provisions on management measures for the COVID-19 outbreak and further measures".
Regulation no.14 of 8 September 2021	"Technical and procedural rules for the drafting, issuance, transmission and receipt by economic operators of San Marino of invoices in electronic format in the interchange of goods and services with Italy".
Decree Law no. 160 of 20 September 2021 (Ratification of Decree Law no. 139 of 26 July 2021)	"Extension of extraordinary economic assistance in support of the economic emergency caused by COVID-19".
Decree Law no. 161 of 20 September 2021 (Ratification of Decree Law no. 158 of 30 August 2021)	"Extension of the provisions on management measures for the COVID-19 outbreak and further measures".
Delegated Decree 20 September 2021 no. 163 (Ratification of Delegated Decree no. 148 of 5 August 2021)	"Of electronic invoicing in the interchange of goods and services with Italy".
Delegated Decree no.167 of 24 September 2021	"Rules for simplification of administrative activity".
Decree Law no.173 of 5 October 2021	"Additional provisions regarding the management of the COVID-19 outbreak and extension of measures".
FIA Newsletter 2021/04 published 06.10.2021	"News related to the fight against money laundering and terrorist financing published on major national and international websites".
Delegated Decree no.175 of 14 October 2021	"Amendments to Law no.101 of 29 July 2013 in transposition of Council Regulation (EU) 2015/159, B.C.E. Decisions (EU) 2019/2195 and 2020/2090 and B.C.E. Guideline (EU) 2020/2091".

Decree Law no. 182 of 29 October 2021 (Ratification of Decree Law no. 173 of 5 October 2021)	"Additional provisions regarding the management of the COVID-19 outbreak and extension of measures".
Law no. 183 of 29 October 2021	"Change to the Budget of the State and the Entities of the Enlarged Public Sector for the financial year 2021 and amendments to Law no.223 of 23 December 2020".
Delegated Decree no.184 of 29 October 2021 (Ratification of Delegated Decree no.167 of 24 September 2021)	"Rules for simplification of administrative activity".
Decree Law 11 November 2021 n.188	"Additional provisions for the prevention of the spread of COVID-19 infection and extension of measures".
Decree Law no. 190 of 26 November 2021 (Ratification of Decree Law no. 188 of 11 November 2021)	"Additional provisions for the prevention of the spread of COVID-19 infection and extension of measures".
Law no.191 of 26 November 2021	"Amendments to Law no. 31 of 18 February 1998 – Framework law on safety and health in the workplace".
Law no.192 of 26 November 2021	"Dispute Settlement Measures for Tax Treatment – Mutual Agreement Procedures (MAPs) under Double Taxation Agreements and Exchange of Information on Tax Matters".
Delegated Decree no.193 of 30 November 2021	"Provisions on fraud and counterfeiting of non-cash payment instruments in transposition of Directive (EU) 2019/713".
Delegated Decree no.196 of 7 December 2021	"New Provisions on the Declaration of Assets, Financial Assets and Company Shares Held Abroad – Amendments to Delegated Decree no. 199 of 13 November 2020".
Decree Law no.197 of 7 December 2021	"Urgent provisions to combat the spread of COVID-19 infection".
Delegated Decree no.199 of 14 December 2021	"Definition of the Maximum Spread and Nominal Interest Rate to be applied until 30 September 2022 to the loans assisted by the State contribution referred to in Law no. 44 of 31 March 2015, as amended".
Delegated Decree no.202 of 15 December 2021	"Safety and health protection of workers performing work on display screen equipment".
Delegated Decree no.204 of 17 December 2021	"Amendments to Delegated Decrees no. 61 of 29 March 2021 and no. 184 of 29 October 2021 – Additional rules on administrative simplification".
Congress of State Resolution no. 15 of 20 December 2021	"Update on High-Risk Countries pursuant to art.16 undicies of Law 92/2008".
Decree Law no.206 of 22 December 2021	"Extension of extraordinary economic interventions in support of the economic emergency caused by COVID".



Law no.207 of 22 December 2021	“State and Public Entity Budgets for the 2022 Financial Year and Multi-Year Budgets 2022/2024”.
Decree Law no.208 of 22 December 2021	“Further urgent provisions to combat the spread of COVID-19 infection”.
Delegated Decree no. 211 of 24 December 2021	“Financial provisions transposing Regulations (EU) Nos 648/2012, 909/2014, 2015/2365 and 2016/1011”.
Decree Law no.215 of 31 December 2021	“General and administrative provisions related to the Covid-19 outbreak”.

## **Foreign branches**

There are no branches outside the San Marino territory.

## Introduction

Dear Shareholders,

In 2021, Banca Agricola Commerciale S.p.A. (hereinafter also referred to as BAC, Bank or Parent Company) was faced with uncertain economic scenarios due to the continuation of the COVID-19 pandemic emergency. The year ended, in fact, for the entire San Marino banking system, proved to be particularly complex and difficult. The effects of the pandemic had a significant impact on banking operations and San Marino banks continued to provide financial support to the country's economic sectors. In the wake of the issuance of Delegated Decree no. 60 of 26/03/2021, which extended the scope of the interventions with a State guarantee, the Bank contributed to ensuring the necessary economic support to the individuals and companies of San Marino which had to face financial liquidity problems deriving from the crisis of the international markets, by granting moratoria (or the extension of those already existing) and liquidity financing.

BAC, has put in place all the appropriate measures to protect the health of workers through the logistical reorganization of the company offices, in order to reduce the presence of workers within the company and to ensure adequate spacing, as provided for by the extraordinary legislation (D.L. n.60 of 26/03/2021 – D.L. n.208 of 22/12/2021), also encouraging the use of holidays/leaves on a voluntary basis.

As far as the commercial area is concerned, the Bank was dynamic in launching new corporate projects for the development of its business activities, first of all with the establishment of the company San Marino Finanza e Previdenza srl, a 51% joint venture with the company Finanza e Previdenza Srl, an Italian insurance agent registered in section A of the RUI with IVASS, a multi-firm agency with leading Italian and international insurance companies, as well as the products of BAC Life. The technical/insurance know-how of Finanza e Previdenza, associated with the commercial and financial experience of BAC, will guarantee the possibility of 360° risk coverage for all clients, as well as the creation of new products, in line with market needs.

BAC acquired an equity investment in the San Marino Payment Institute BKN301 Spa (formerly Tp@Y Spa) of 33.33%, together with two other partner banks, BSM and CARISP. BAC has used the payment and electronic money issuing services provided by BKN301 Spa since its incorporation. It should be noted that the company, whose management has been completely renewed, has launched an ambitious industrial plan, characterized by significant evolution and growth of the business, both on the domestic and international markets, thanks to the implementation of a Banking/Payment-as-a-service strategy. The shareholding of BAC, following the entry of managers and new shareholders, as of 31/12/2021 is equal to 27.23% of the share capital of BKN301 Spa.

Due to the strong volatility of financial markets, the Supervisory Authority allowed, with Prot.20/13417 of 22/12/2020, the transfer of financial

instruments from the investment portfolio to the free portfolio or the sale of securities held as of 31/12/2020 by 30/06/2021 on the market. BAC exercised this right in the first half of 2021, selling investment securities with a nominal value of € 14.118 million, generating a capital gain of € 0.628 million.

BAC also continued the accrual to the Profit and Loss Account over 10 years, starting from the 2019 financial year with a portion equal to € 4.581million, of the AQR adjustments defined with the Supervisory Authority in 2019, as provided for by art.40 of Finance Law no.173 of 2018, and on the basis of CBSM's authorization measure.

With regard to corporate officers, the Shareholders' Meeting held on 23 June 2021 renewed the Board of Directors, which had reached its natural expiry date, for the next three years, on the basis of the so-called "fit and proper" regulations issued by the Central Bank with Regulation 2020-01. Given the confirmation of a director appointed in 2020, therefore falling within the limits of permanence in office, new corporate officers were appointed as: Chairman, Deputy Chairman and the new directors. The Shareholders' Meeting, following voluntary resignations, also appointed a new Chairman of the Board of Statutory Auditors and a new Statutory Auditor, again on the basis of the resolutions established by Regulation 2020-01.

The Top management renewal process, which began in 2019 with the appointment of the General Manager, was concluded during the 2021 financial year with the appointment of the Deputy General Manager. The new figure, coming from a well-established international banking reality, assumed Responsibility for the commercial area and the finance area, as well as the real estate function.

Lastly, a description of the companies that fall within the BAC Group's perimeter, insofar as they are wholly or majority-owned by the Parent Company is provided:

- BAC Investments SG Spa, a wholly-owned subsidiary, a Management Company authorised to carry out exclusive 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 status on a par with other investment houses on the European scene. BAC Investments SG manages seven open-ended mutual funds intended for the general public and subject to UCITS<sup>5</sup> regulations (previously authorised by BCSM).
- BAC Life Spa, San Marino Life Insurance Company, 100% controlled, and for which BAC also acts as insurance intermediary since 2009, the year in which the Company was established.

<sup>5</sup> The acronym UCITS (Undertakings for Collective Investment in Transferable Securities) refers to Directive 65/EC of 13/01/2019 of the European Union, which sets the terms for the placement of funds domiciled in one.

- BAC Trustee Spa, resulting from the amendment to the articles of association of the previous BAC Fiduciaria Spa (which took place with a shareholders' resolution on 27 July 2020), a wholly owned subsidiary, whose mandates were transferred to the Parent Company BAC. The company deals only with Professional Financial Trustee activities, with positive savings in operating costs, guaranteeing the best assistance to clients.
- BAC Real Estate Srl (formerly IBS Immobiliare Srl), a wholly-owned subsidiary set up in 2011 to manage real estate assets.
- San Marino Finanza e Previdenza Srl, incorporated on 22/01/2021 with a 51% equity interest, in joint venture with the company Finanza e Previdenza Srl, whose corporate purpose has been detailed above.

## 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	31/12/2021	31/12/2020	CHANGE	
			Absolute	%
<b>Interest margin</b>	<b>10.249.540</b>	<b>11.115.491</b>	<b>-865.951</b>	<b>-7,79%</b>
Net commission	5.016.426	4.736.926	279.500	5,90%
Profits and losses on financial transactions	-1.301.462	1.634.377	-2.935.838	-179,63%
Other revenues	1.509.080	1.086.952	422.128	38,84%
<b>Revenues from intermediation</b>	<b>5.224.045</b>	<b>7.458.255</b>	<b>-2.234.211</b>	<b>-29,96%</b>
<b>Intermediation margin</b>	<b>15.473.585</b>	<b>18.573.747</b>	<b>-3.100.162</b>	<b>-16,69%</b>
Personnel expenses	-8.008.517	-8.262.597	254.080	-3,08%
Administrative expenses	-4.412.894	-4.879.414	466.520	-9,56%
Tangible and intangible asset adjustments	-1.224.561	-1.312.449	87.888	-6,70%
<b>Operating costs</b>	<b>-13.645.972</b>	<b>-14.454.460</b>	<b>808.488</b>	<b>-5,59%</b>
<b>Operating result</b>	<b>1.827.613</b>	<b>4.119.287</b>	<b>-2.291.673</b>	<b>-55,63%</b>
Provisions for risks and charges and net adjustments on loans and advances	-4.609.824	-5.925.687	1.315.863	-22,21%
Value adjustments on financial fixed assets	-611.422	-	-611.422	100,00%
Value adjustments on non-instrumental fixed assets	-218.000	-1.555.999	1.337.999	-85,99%
Capital gains/losses on investment securities – Extraordinary gains/losses	1.088.829	3.520.665	-2.431.836	-69,07%
Income taxes for the year	-	-	-	-
<b>Net income for the year</b>	<b>-2.522.804</b>	<b>158.266</b>	<b>-2.681.070</b>	<b>-1694,03%</b>

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	31/12/2021	31/12/2020	CHANGE	
			Absolute	%
<b>Total assets</b>	<b>885.221.966</b>	<b>863.532.849</b>	<b>21.689.117</b>	<b>2,51%</b>
Loans to customers	344.352.908	373.710.435	-29.357.527	-7,86%
of which impaired loans	75.470.541	82.191.072	-6.720.531	-8,18%
Financial assets	110.671.843	110.666.496	5.347	-
<b>Amounts due to customers and outstanding securities</b>	<b>707.273.677</b>	<b>680.623.575</b>	<b>26.650.102</b>	<b>3,92%</b>
of which amounts due	512.022.575	473.389.996	38.632.579	8,16%
of which outstanding securities	195.251.102	207.233.579	-11.982.477	-5,78%
<b>Interbank net position (including securities)</b>	<b>180.850.446</b>	<b>133.467.764</b>	<b>47.382.682</b>	<b>35,50%</b>
<b>Net equity (including net result)</b>	<b>85.809.657</b>	<b>88.316.692</b>	<b>-2.507.034</b>	<b>-2,84%</b>

## Financial assets of customers

DESCRIPTION	31/12/2021	31/12/2020	CHANGE		COMPOSITION	
			Absolute	%	31/12/2021	31/12/2020
<b>A) Direct deposits</b>	<b>710.362.531</b>	<b>683.953.698</b>	<b>26.408.833</b>	<b>3,86%</b>	<b>100%</b>	<b>100%</b>
Savings deposits	2.558.874	2.743.614	-184.740	-6,73%	0,36%	0,40%
Customer current accounts in euro and currency	465.917.528	433.069.296	32.848.232	7,58%	65,59%	63,32%
Repurchase agreements	23.545.756	27.441.068	-3.895.312	-14,20%	3,31%	4,01%
Other funds	20.000.417	10.136.017	9.864.400	100,00%	2,82%	1,48%
Certificates of deposit	195.251.102	207.233.579	-11.982.477	-5,78%	27,49%	30,30%
Internal checks	687.867	929.136	-241.269	-25,97%	0,10%	0,14%
Subordinated liabilities	2.400.988	2.400.988	-	-	0,34%	0,35%
<b>B) Managed deposits (market value)</b>	<b>9.226.482</b>	<b>10.480.116</b>	<b>-1.253.634</b>	<b>-11,96%</b>		
of which cash	3.972.553	5.014.170	-1.041.617	-20,77%		
of which subordinated loans	-	-	-	-		
<b>C) Assets under administration (market value)</b>	<b>558.087.625</b>	<b>536.956.496</b>	<b>21.131.129</b>	<b>3,94%</b>		
of which funds bacinvestments SG	135.544.162	116.112.309	19.431.853	16,74%		
of which subordinated loan	2.395.000	2.395.000	-	-		
<b>D) Custodian bank activities</b>	<b>135.544.162</b>	<b>116.112.309</b>	<b>19.431.853</b>	<b>16,74%</b>		
of which cash	7.626.467	7.165.957	460.510	6,43%		
of which subordinated loan	-	-	-	-		
<b>Total deposits</b>	<b>1.399.226.780</b>	<b>1.332.927.492</b>	<b>66.299.288</b>	<b>4,97%</b>		

#### MAIN INDICATORS

	31/12/2021	31/12/2020
<b>Structure data</b>		
Number of employees e.o.p.	113	115
Number of branches	8	8
<b>Credit risk ratios</b>		
Net non-performing loans / Net loans to customers	11,83%	11,13%
Net doubtful loans / Net loans to customers	21,92%	21,99%
Coverage on total loans	17,01%	18,07%
<b>Supervisory capital and ratios</b>		
Supervisory capital	42.059.470	31.330.660
Weighted risk assets	326.154.230	310.035.766
Supervisory capital / Weighted assets (total capital ratio)	12,90%	10,11%
<b>Total assets</b>	<b>885.221.966</b>	<b>863.532.849</b>

#### PROFITABILITY INDICATORS

	31/12/2021	31/12/2020
Financial margin / Intermediation margin	66,24%	59,85%
Service margin / Intermediation margin	33,76%	40,15%
Cost / Income ratio	88,19%	77,82%
Operating profit / Intermediation margin	11,81%	22,18%
Leverage (medium assets / medium equity)	10,32	9,78
ROA e.o.p.	-0,28%	0,02%
ROE e.o.p.	-2,94%	0,18%

## Reclassified balance sheet

RECLASSIFIED ASSETS	31/12/2021	31/12/2020	CHANGE		COMPOSITION	
			Absolute	%	31/12/2021	31/12/2020
			Cash and cash equivalents	4.328.218	3.204.455	1.123.763
Loans to banks	182.078.480	134.657.459	47.421.020	35,22%	20,57%	15,59%
Loans to customers	344.352.908	373.710.435	-29.357.527	-7,86%	38,90%	43,28%
Financial assets	110.671.843	110.666.496	5.347	-	12,50%	12,82%
Shareholdings	13.556.329	12.437.671	1.118.658	8,99%	1,53%	1,44%
Tangible fixed assets	103.499.071	97.615.630	5.883.441	6,03%	11,69%	11,30%
Intangible fixed assets	940.334	1.016.484	-76.150	-7,49%	0,11%	0,12%
Other assets	125.794.783	130.224.219	-4.429.436	-3,40%	14,21%	15,08%
<b>Total assets</b>	<b>885.221.966</b>	<b>863.532.849</b>	<b>21.689.117</b>	<b>2,51%</b>	<b>100,00%</b>	<b>100,00%</b>

RECLASSIFIED LIABILITIES	31/12/2021	31/12/2020	CHANGE		COMPOSITION	
			Absolute	%	31/12/2021	31/12/2020
			Amounts due to banks	1.228.033	1.189.695	38.338
Amounts due to customers	512.022.575	473.389.996	38.632.579	8,16%	57,84%	54,82%
Payables represented by securities	195.251.102	207.233.579	-11.982.477	-5,78%	22,06%	24,00%
Provisions for risks and charges	1.527.373	1.455.372	72.002	4,95%	0,17%	0,17%
Non-adjusting provision for risks on credits	-	-	-	-	-	-
Other liabilities	86.982.237	89.546.529	-2.564.291	-2,86%	9,83%	10,37%
Subordinate liabilities	2.400.988	2.400.988	-	-	0,27%	0,28%
Net equity	85.809.657	88.316.692	-2.507.034	-2,84%	9,69%	10,23%
• Capital and reserves	88.332.462	89.815.106	-1.482.644	-1,65%	9,98%	10,40%
• Retained losses	-	-1.656.680	1.656.680	-100,00%	-	-0,19%
• Result for the year	-2.522.804	158.266	-2.681.070	-1694,03%	-0,28%	0,02%
<b>Total liabilities</b>	<b>885.221.966</b>	<b>863.532.849</b>	<b>21.689.117</b>	<b>2,51%</b>	<b>100,00%</b>	<b>100,00%</b>



RECLASSIFIED PROFIT AND LOSS ACCOUNT	31/12/2021	% Intermed. margin	31/12/2020	% Intermed. margin	CHANGE	
					Absolute	%
<b>Interest income and similar charges</b>	<b>11.547.553</b>	<b>74,63%</b>	<b>12.979.245</b>	<b>69,88%</b>	<b>-1.431.692</b>	<b>-11,03%</b>
of which:						
a) Interest income to customers	10.670.992	68,96%	12.067.496	64,97%	-1.396.504	-11,57%
b) Interest income to banks	-132.267	-0,85%	-4.747	-0,03%	-127.520	-2686,28%
c) Interest income on debt securities	1.008.828	6,52%	916.497	4,93%	92.331	10,07%
<b>Interest expense and similar charges</b>	<b>-2.792.655</b>	<b>-18,05%</b>	<b>-3.021.441</b>	<b>-16,27%</b>	<b>228.786</b>	<b>-7,57%</b>
of which:						
a) Interest expense to customers	-664.275	-4,29%	-694.684	-3,74%	30.409	-4,38%
b) Interest expense on payables represented by securities	-2.123.352	-13,72%	-2.323.685	-12,51%	200.333	-8,62%
c) Interest expense to banks	-5.027	-0,03%	-3.072	-0,02%	-1.955	63,65%
<b>Interest margin</b>	<b>8.754.898</b>	<b>56,58%</b>	<b>9.957.804</b>	<b>53,61%</b>	<b>-1.202.906</b>	<b>-12,08%</b>
Dividends and other revenues	1.494.642	9,66%	1.157.687	6,23%	336.955	29,11%
<b>Financial margin</b>	<b>10.249.540</b>	<b>66,24%</b>	<b>11.115.491</b>	<b>59,85%</b>	<b>-865.951</b>	<b>-7,79%</b>
Net commissions	5.016.426	32,42%	4.736.926	25,50%	279.500	5,90%
of which:						
a) Commission income	6.391.980	41,31%	5.917.438	31,86%	474.542	8,02%
b) Commission expense	-1.375.554	-8,89%	-1.180.512	-6,36%	-195.042	16,52%
Profit and losses on financial transactions	-1.301.462	-8,41%	1.634.377	8,80%	-2.935.838	-179,63%
of which:						
a) On securities	-1.581.914	-10,22%	1.313.022	7,07%	-2.894.937	-220,48%
b) On exchanges	280.453	1,81%	321.354	1,73%	-40.902	-12,73%
Other net revenues *	1.509.080	9,75%	1.086.952	5,85%	422.128	38,84%
<b>Service margin</b>	<b>5.224.045</b>	<b>33,76%</b>	<b>7.458.255</b>	<b>40,15%</b>	<b>-2.234.211</b>	<b>-29,96%</b>
<b>Intermediation margin</b>	<b>15.473.585</b>	<b>100,00%</b>	<b>18.573.747</b>	<b>100,00%</b>	<b>-3.100.162</b>	<b>-16,69%</b>
<b>Operating costs</b>	<b>-13.645.972</b>	<b>-88,19%</b>	<b>-14.454.460</b>	<b>-77,82%</b>	<b>808.488</b>	<b>-5,59%</b>
of which:						
a) Personnel expenses:	-8.008.517	-51,76%	-8.262.597	-44,49%	254.080	-3,08%
b) Other administrative expenses:	-4.412.894	-28,52%	-4.879.414	-26,27%	466.520	-9,56%
c) Tangible and Intangible fixed assets adjustments *	-1.224.561	-7,91%	-1.312.449	-7,07%	87.888	-6,70%
<b>Operating result</b>	<b>1.827.613</b>	<b>11,81%</b>	<b>4.119.287</b>	<b>22,18%</b>	<b>-2.291.673</b>	<b>-55,63%</b>
Provisions and net adjustments on credits	-4.539.599	-29,34%	-5.894.027	-31,73%	1.354.428	-22,98%
Provisions for risks and charges	-70.225	-0,45%	-31.660	-0,17%	-38.565	121,81%
Value adjustments to financial fixed assets	-611.422	-3,95%	-	-	-611.422	100,00%
Value adjustments on non-instrumental fixed assets	-218.000	-1,41%	-1.555.999	-8,38%	1.337.999	-85,99%
<b>Income from ordinary activities</b>	<b>-3.611.633</b>	<b>-23,34%</b>	<b>-3.362.399</b>	<b>-18,10%</b>	<b>-249.233</b>	<b>-7,41%</b>
Extraordinary profit (loss)	1.088.829	7,04%	3.520.665	18,96%	-2.431.836	-69,07%
Variation of the general banking risk fund (+/-)	-	-	-	-	-	-
Tax on income	-	-	-	-	-	-
<b>Result for the year</b>	<b>-2.522.804</b>	<b>-16,30%</b>	<b>158.266</b>	<b>0,85%</b>	<b>-2.681.070</b>	<b>-1694,03%</b>

\* 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 2021 closed with a negative result of €2.522 million for the year, a sharp decrease of –€2.681 million (€0.158 million as of 31/12/2020) compared to the previous year.

This result was affected by the strong volatility of the financial market and by expectations of an increase in interest rates, which led to a lower profitability compared to the previous year in the proprietary securities segment for –€1.582 million; in addition to the maintenance of significant net value adjustments on loans, €4.540 million, as well as value adjustments on financial fixed assets for €0.611 million and further adjustments on intangible fixed assets not used in the business for €0.218 million.

The consolidated results of the Banking Group, of which Bac is the parent company, mitigate and contain the negative performance achieved by the Bank, due to the excellent contributions of the subsidiaries, achieving an intermediation margin of €17,697million (decreasing however by –13.57% compared to 2020) in the 2021 financial year, at a consolidated level, an operating income of €2.786million, down by –€1.884million compared to 2020 and a final result of –€1.499million, marking, compared to the previous year, a decrease of –€2.148million (–330.93%).

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 €10.249m compared to €11.115m in 2020 (–€0.866m).

The decline in the margin was affected first of all by the drop in net interest income of –€1.202 million, attributable, on the one hand, to the trend in interest rates and, on the other, to the trend in lending and funding volumes. As regards the first factor, on the financial market, the Euribor continued to remain negative (–0.540% average Euribor 3M/360–year 2021 vs –0.427% average Euribor 3M/360–year 2020) and, on the domestic market, the imposition of economic conditions below the average rates applied on loans disbursed pursuant to Decree Law 63/2020 on measures to support liquidity (art.19 relating to households, art.20 relating to economic operators). For the second factor, the contraction of gross lending masses was induced by competition with Italian credit institutions, which, having access to the European capital market, can contract more attractive lending rates for borrowers, especially for domestic corporate companies, with productive interests both abroad and in Italy. In addition, companies, following the health emergency from COVID–19, in reorganizing their production activities, have operated on an active basis; lastly, it is worth noting the prudent assessment of the creditworthiness of the applicants. The changes

explained above have determined a stock of gross loans down by –€41.212 million; the decrease in interest expense and an increase in the contribution of dividends attributable to equity securities purchased in the proprietary unrestricted portfolio have helped to contain the decline in net interest income. The flow of coupons on treasury bond assets remained more or less constant (partially adjusted by the decrease in interest income on the interbank market).

FINANCIAL MARGIN FORMATION	31/12/2021	31/12/2020	CHANGE		% Incidence on interest margin	
			Absolute	%	31/12/2021	31/12/2020
Interest income on amounts due from customers	10.670.992	12.067.496	-1.396.504	-11,57%	104,11%	108,56%
Interest payable on amounts due to customers	-534.321	-483.424	-50.896	10,53%	-5,21%	-4,35%
Interest expense on debts represented by securities (CD option)	-2.123.352	-2.323.685	200.333	-8,62%	-20,72%	-20,90%
<b>Ordinary customer margin</b>	<b>8.013.319</b>	<b>9.260.386</b>	<b>-1.247.067</b>	<b>-13,47%</b>	<b>78,18%</b>	<b>83,31%</b>
Interest income on debt securities	1.008.828	916.497	92.331	10,07%	9,84%	8,25%
Interest expense on debts represented by securities (repo)	-129.954	-211.260	81.305	-38,49%	-1,27%	-1,90%
<b>Financial investment margin</b>	<b>878.874</b>	<b>705.237</b>	<b>173.636</b>	<b>24,62%</b>	<b>8,57%</b>	<b>6,34%</b>
<b>Banking margin</b>	<b>8.892.192</b>	<b>9.965.623</b>	<b>-1.073.431</b>	<b>-10,77%</b>	<b>86,76%</b>	<b>89,66%</b>
Interest income from credit institutions	-132.267	-4.747	-127.520	-2686,28%	-1,29%	-0,04%
Interest expense from credit institutions	-5.027	-3.072	-1.955	63,65%	-0,05%	-0,03%
<b>Interbank margin</b>	<b>-137.294</b>	<b>-7.819</b>	<b>-129.475</b>	<b>-1655,92%</b>	<b>-1,34%</b>	<b>-0,07%</b>
Dividends and other income	1.494.642	1.157.687	336.955	29,11%	14,58%	10,42%
<b>Financial margin</b>	<b>10.249.540</b>	<b>11.115.491</b>	<b>-865.951</b>	<b>-7,79%</b>	<b>100,00%</b>	<b>100,00%</b>

## Net interest and other banking income

Net interest and other banking income, equal to €15.473 million, decreased by €3.100 million (-16.69%) compared to the previous year. The tables below show that the decrease in net interest income commented on in the previous paragraph, together with the drop in brokerage income, led to a contraction; the collection of dividends from Group companies and dividends on capital assets in the free treasury portfolio mitigated the negative performance of net interest and other banking income. Compared to the previous year, the securities management result showed a negative contribution, due to the strong volatility of the market, as a consequence of the continuation of the COVID19 pandemic and of the changes in the monetary policies undertaken by the main European and US central banks, with a consequent strong penalisation of fixed-rate financial instruments with a high duration; the (interest rate and inflation) scenario that will emerge in 2021 has led the bank to lighten its securities portfolio, so as not to incur greater potential future losses. Compared to the total amount of securities under management, the incidence of trading losses was equal to 1.87% of the trading portfolio held as of 31/12/2021. Finally, if we also consider the capital gains realised in 2020 following the transfer of these securities to the free portfolio, authorised with prot. 20/13417 of 22/12/2020 by CBSM, the operation as a whole would show a positive performance of €1.661million.

The margin on services, as of December 2021, amounting to €5.224million and down compared to the final figure for 2020 (-29.96%) was affected by the performance on the profit and loss segment from financial transactions as illustrated above, however, we highlight the excellent growth on the commission side, recorded despite the decrease in lending volumes and the continuing health emergency from Covid-19. The main increases in commissions were seen in: securities brokerage and retrocessions for the distribution, through the BAC network, of the funds of our subsidiary BAC Investments SG Spa and the insurance policies of BAC Life Spa and the new company San Marino Finanza e Previdenza Srl; in commissions from Depository Bank activities and, lastly, in collection and payment services.

PROFIT AND LOSS ACCOUNT	31/12/2021	31/12/2020	CHANGE		% Incidence on interest margin	
			Absolute	%	31/12/2021	31/12/2020
Interest margin	8.754.898	9.957.804	-1.202.906	-12,08%	56,58%	53,61%
Dividends and other revenues	1.494.642	1.157.687	336.955	29,11%	9,66%	6,23%
Intermediation revenues and other	5.224.045	7.458.255	-2.234.211	-29,96%	33,76%	40,15%
<b>Intermediation margin</b>	<b>15.473.585</b>	<b>18.573.747</b>	<b>-3.100.162</b>	<b>-16,69%</b>	<b>100,00%</b>	<b>100,00%</b>

INTERMEDIATION REVENUES AND OTHER	31/12/2021	31/12/2020	CHANGE		% Incidence on service margin	
			Absolute	%	31/12/2021	31/12/2020
			<b>Net commissions</b>	<b>5.016.426</b>	<b>4.736.926</b>	<b>279.500</b>
<b>Commission income</b>	<b>6.391.980</b>	<b>5.917.438</b>	<b>474.542</b>	<b>8,02%</b>	<b>122,36%</b>	<b>79,34%</b>
• Guarantees given	87.334	98.399	-11.065	-11,24%	1,67%	1,32%
• Investment services	599.718	520.519	79.198	15,22%	11,48%	6,98%
of which reception and transmission of orders	587.440	502.775	84.665	16,84%	11,24%	6,74%
of which portfolio management of financial instruments	12.277	17.744	-5.467	-30,81%	0,24%	0,24%
• Distribution of services and products of third parties other than placement	1.242.611	1.098.813	143.798	13,09%	23,79%	14,73%
of which insurance products	369.250	362.000	7.250	2,00%	7,07%	4,85%
of which other services or products	873.361	736.813	136.548	18,53%	16,72%	9,88%
• Cash-in and payment services	1.780.860	1.565.540	215.320	13,75%	34,09%	20,99%
• Depository bank services	251.120	125.057	126.063	100,80%	4,81%	1,68%
• Storage and administration of financial instruments	345.562	336.044	9.519	2,83%	6,61%	4,51%
• Currency trading	215.879	238.778	-22.898	-9,59%	4,13%	3,20%
• Trust services	150.107	153.279	-3.172	-2,07%	2,87%	2,06%
• Other services	1.718.789	1.781.009	-62.220	-3,49%	32,90%	23,88%
of which current accounts	1.183.710	1.269.418	-85.708	-6,75%	22,66%	17,02%
of which cash-ins and payments	72.364	47.671	24.693	51,80%	1,39%	0,64%
of which fees	124.378	144.334	-19.956	-13,83%	2,38%	1,94%
of which loans granted	231.899	218.661	13.238	6,05%	4,44%	2,93%
<b>Commission expenses</b>	<b>-1.375.554</b>	<b>-1.180.512</b>	<b>-195.042</b>	<b>16,52%</b>	<b>-26,33%</b>	<b>-15,83%</b>
• Cash-in and payment services	-946.435	-741.226	-205.209	27,69%	-18,12%	-9,94%
• Management services, intermediation, cons.	-345.148	-333.828	-11.320	3,39%	-6,61%	-4,48%
• Currency trading	-41.140	-43.882	2.742	-6,25%	-0,79%	-0,59%
• Other services	-42.831	-61.576	18.745	-30,44%	-0,82%	-0,83%
<b>Profits and losses on financial transactions</b>	<b>-1.301.462</b>	<b>1.634.377</b>	<b>-2.935.838</b>	<b>-179,63%</b>	<b>-24,91%</b>	<b>21,91%</b>
On securities:	-1.581.914	1.313.022	-2.894.937	-220,48%	-30,28%	17,60%
• Security trading	-1.179.047	593.211	-1.772.257	-298,76%	-22,57%	7,95%
• Security valuation	-402.867	719.812	-1.122.679	-155,97%	-7,71%	9,65%
• Currency trading	280.453	321.354	-40.902	-12,73%	5,37%	4,31%
• Other activities	-	-	-	-	-	-
<b>Operating income and charges</b>	<b>1.509.080</b>	<b>1.086.952</b>	<b>422.128</b>	<b>38,84%</b>	<b>28,89%</b>	<b>14,57%</b>
• Other revenues	1.399.893	992.592	407.301	41,03%	26,80%	13,31%
• Expense recovery	109.188	94.360	14.827	15,71%	2,09%	1,27%
<b>Service margin</b>	<b>5.224.045</b>	<b>7.458.255</b>	<b>-2.234.211</b>	<b>-29,96%</b>	<b>100,00%</b>	<b>100,00%</b>

## Operating result

The operating result decreased by € 2.291 million compared to 2020 (-55.63%), although it was affected by the negative contribution to net interest and other banking income of the profits and losses from financial transactions, it nevertheless benefited from the containment of operating costs for € 0.808 million (-5.59%) which mitigated the decrease.

PROFIT AND LOSS ACCOUNT	31/12/2021	31/12/2020	CHANGE	
			Absolute	%
<b>Net interest and other banking income</b>	<b>15.473.585</b>	<b>18.573.747</b>	<b>-3.100.162</b>	<b>-16,69%</b>
Administrative expenses	-12.421.411	-13.142.011	720.600	-5,48%
• Personnel expenses	-8.008.517	-8.262.597	254.080	-3,08%
• General expenses	-4.220.895	-4.672.230	451.335	-9,66%
• Indirect taxes and duties	-191.999	-207.184	15.185	-7,33%
<b>Value adjustments on tangible and intangible fixed assets</b>	<b>-1.224.561</b>	<b>-1.312.449</b>	<b>87.888</b>	<b>-6,70%</b>
<b>Total operating costs</b>	<b>-13.645.972</b>	<b>-14.454.460</b>	<b>808.488</b>	<b>-5,59%</b>
<b>Operating income</b>	<b>1.827.613</b>	<b>4.119.287</b>	<b>-2.291.673</b>	<b>-55,63%</b>

## Operating costs

Total operating costs at the end of December 2021 amounted to €13.645million, recording a strong saving of €0.808million, lower by -5.59% compared to 2020.

**Personnel expenses**, amounting to € 8.008 million, show a decrease of approximately € 0.254 million (-3.08%) compared to the corresponding period of 2020. The decrease is mainly due to the evolution of the workforce, which continues its reorganisation, settling at 113 resources at the end of 2020, showing a decrease of 4 resources compared to the previous year, in addition to the 6 resources terminated in 2020, as a result of interruptions of employment relationships; in 2021, it should be noted that two additional figures have been added to the workforce: the Deputy General Manager, as anticipated in the introduction, and an employee to strengthen the Organisation & IT department.

**Other administrative expenses** recorded a value of €4.221 million, a decrease of €0.451 million (-9.66%) compared to the previous year. In general, many categories of administrative expenses benefited from reductions, in particular the largest decreases were attributable to consulting fees (-€0.228m), expenses for outsourced services (-€0.061m) and rental expenses (-€0.044m), reflecting the attention paid to the expense and cost optimisation process; indirect taxes also fell by €0.015m.

**Depreciation on instrumental tangible and intangible assets** was 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 €1.225 million, a

decrease of € 0.088 million (–6.70%) compared to the corresponding item in 2020.

**Net adjustments to financial fixed assets** concerned the Tower Credit Opportunities Fund (TCO) for a total of €0.603million following its extinction/liquidation, resulting in the assignment to the bank of the underlying Green Arrow Private Debt Fund and the sale of the remaining liquid assets pertaining to BAC, as well as the write-off of the 2020 loss of the subsidiary BAC Real Estate for €0.009million.

Conversely, no impairment losses were recognised on the subsidiaries: the Group companies, namely the Supervised Entities BAC Investments SG Spa, BAC Life Spa and BAC Trustee Spa (formerly BAC Fiduciaria Spa), approved their 2021 financial statements reporting positive results for the year and the resulting dividend distribution policies will take effect, in cash, in 2022.

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

At the end of December 2021, Net adjustments on loans and provisions for guarantees and commitments amounted to €4.540million, broken down as follows: €9.567million for provisions and adjustments to loans and €5.027million for write-backs, down by –22.98% compared to the previous year. Specifically, in 2021, following definition in 2019 of the adjustments with the Supervisory Authority deriving from the Asset Quality Review (AQR) exercise begun in 2016, the third tenth of an accrual equal to €4.581million of the AQR adjustments suspended was recorded in the EC, by virtue of the provisions of Article 40 of Law 173/2018 and supplemented by express authorisation from the Supervisory Authority.

It should also be noted that there is a provision of €0.607 million for risks and charges, set up in previous years to cover potential risks deriving from lawsuits and proceedings in progress, prudentially increased during the year by a further €0.070 million.

For a detailed analysis of the dynamics of the so-called “Credit Quality”, see the specific section of this Report.

**Adjustments to non-instrumental real estate properties**

During the year, value adjustments were made to non-instrumental owned furniture and furniture deriving from credit recovery for –€0.218 million, in order to align the book value to the values of appraisals, updated in 2021.

**Income of ordinary activities**

The Income from ordinary activities is negative by €3.611 million, a decrease of €0.249 million (–7.41%) compared to the year 2020, which was affected by the prudent provisions made for adjustments to receivables, financial fixed assets, non-instrumental fixed assets and for risks and charges.

**Extraordinary revenues and charges**

The Bank recorded extraordinary revenues amounting to €1.310 million and extraordinary charges of –€0.221 million.

We highlight that extraordinary revenues include the following main items: €0.147million for the insurance settlement of a claim on a property owned by us; €0.233million for the reimbursement from the Revenue Agency in application of the conventional regime on double taxation signed in 2013, for withholdings on Italian securities withheld from us in 2014; €0.628 mln

for profit from the transfer of securities owned from the investment portfolio to the free portfolio, as provided for by Prot.20/13417 of CBSM and detailed in the introduction to this Report and, finally, €0.112m for recovery on extinguished loans.

Extraordinary charges include miscellaneous fractional items totaling €0.138 million and €0.082 million in penalties imposed by CBSM and fractional tax penalties.

### Income Tax

The tax rate is 0% and reflects the calculation of taxes in accordance with tax regulations. No taxable income arises in the 2021 financial year.

### Net profit

For explanatory purposes, the following table reclassifies the steps leading from the operating result to the net profit for the period, compared with the 2020 data.

PROFIT AND LOSS ACCOUNT	31/12/2021	31/12/2020	CHANGE	
			Absolute	%
<b>Operating income</b>	<b>1.827.613</b>	<b>4.119.287</b>	<b>-2.291.673</b>	<b>-55,63%</b>
<b>Provisions and value adjustments</b>	<b>-5.439.246</b>	<b>-7.481.686</b>	<b>2.042.440</b>	<b>-27,30%</b>
• Provisions and value adjustments on loans	-9.567.017	-7.959.000	-1.608.017	20,20%
• Reversal of value adjustments on receivables and provisions	5.027.418	2.064.973	2.962.445	143,46%
• Provisions for risks and charges	-70.225	-31.660	-38.565	121,81%
• Adjustments to fixed assets financial assets	-611.422	-	-611.422	100,00%
• Value adjustments to owned non-instrumental properties	-218.000	-1.555.999	1.337.999	-85,99%
<b>Profit from ordinary activities</b>	<b>-3.611.633</b>	<b>-3.362.399</b>	<b>-249.233</b>	<b>-7,41%</b>
Margin on investment securities	627.574	2.839.553	-2.211.978	-77,90%
Extraordinary income	682.643	895.740	-213.097	-23,79%
Extraordinary expense	-221.389	-214.628	-6.761	3,15%
Balance of extraordinary income and charges and margin on investment securities	1.088.829	3.520.665	-2.431.836	-69,07%
Profit before tax	-2.522.804	158.266	-2.681.070	-1694,03%
Income tax for the year	-	-	-	-
<b>Net income (loss)</b>	<b>-2.522.804</b>	<b>158.266</b>	<b>-2.681.070</b>	<b>-1694,03%</b>

The 2021 financial year closed with a loss of – €2.522 million, compared to a positive result of €0.158 million (-1694.03%) recorded at the end of December 2020.



## Statement of assets and liabilities

### Loans to customers

Net loans to customers as of 31 December 2021 amounted to €344.352 million, a decrease of €29.357 million compared to the previous year.

## Loans to customers and loan portfolio quality

DESCRIPTION	31/12/2021	31/12/2020	CHANGE		COMPOSITION	
			Absolute	%	31/12/2021	31/12/2020
<b>Total gross loans</b>	<b>414.914.260</b>	<b>456.127.136</b>	<b>-41.212.876</b>	<b>-9,04%</b>	<b>100,00%</b>	<b>100,00%</b>
Provisions for risk on credits	70.561.351	82.416.700	-11.855.349	-14,38%	17,01%	18,07%
Loss forecasts	67.165.868	78.520.657	-11.354.789	-14,46%	16,19%	17,21%
Analytical and flat-rate value adjustments	70.561.351	82.416.700	-11.855.349	-14,38%	17,01%	18,07%
Coverage ratio	17,01%	18,07%	-	-	-	-
<b>Total loans net of provisions for risk on credits</b>	<b>344.352.908</b>	<b>373.710.436</b>	<b>-29.357.528</b>	<b>-7,86%</b>	<b>82,99%</b>	<b>81,93%</b>
<b>Loans net of non-performing loans</b>	<b>319.841.516</b>	<b>351.598.286</b>	<b>-31.756.770</b>	<b>-9,03%</b>	<b>77,09%</b>	<b>77,08%</b>
Non-performing/performing loans	22,91%	22,92%	-	-	-	-
<b>Non-performing loans net of advances</b>	<b>95.072.743</b>	<b>104.528.850</b>	<b>-9.456.107</b>	<b>-9,05%</b>	<b>22,91%</b>	<b>22,92%</b>
Non-performing loans net of advances	54.349.233	62.925.993	-8.576.760	-13,63%	13,10%	13,80%
Analytical value adjustments	54.349.233	62.925.993	-8.576.760	-13,63%	13,10%	13,80%
Coverage ratio	57,17%	60,20%	-	-	-	-
<b>Non-performing loans net of value adjustments</b>	<b>40.723.510</b>	<b>41.602.857</b>	<b>-879.347</b>	<b>-2,11%</b>	<b>9,81%</b>	<b>9,12%</b>
<b>Total impaired loans</b>	<b>21.628.565</b>	<b>26.109.508</b>	<b>-4.480.943</b>	<b>-17,16%</b>	<b>5,21%</b>	<b>5,72%</b>
Loss forecasts	2.475.181	4.681.104	-2.205.923	-47,12%	0,60%	1,03%
Analytical value adjustments	2.475.181	4.681.104	-2.205.923	-47,12%	0,60%	1,03%
Coverage ratio	11,44%	17,93%	-	-	-	-
<b>Impaired loans net of value adjustments</b>	<b>19.153.384</b>	<b>21.428.404</b>	<b>-2.275.020</b>	<b>-10,62%</b>	<b>4,62%</b>	<b>4,70%</b>
<b>Total past due loans</b>	<b>97.714</b>	<b>171.387</b>	<b>-73.673</b>	<b>-42,99%</b>	<b>0,02%</b>	<b>0,04%</b>
Loss forecasts	4.886	8.569	-3.683	-42,98%	-	-
Flat-rate value adjustments	4.886	8.569	-3.683	-42,98%	-	-
Coverage ratio	5,00%	5,00%	-	-	-	-
<b>Past due loans net of value adjustments</b>	<b>92.829</b>	<b>162.818</b>	<b>-69.989</b>	<b>-42,99%</b>	<b>0,02%</b>	<b>0,04%</b>
<b>Total restructured loans</b>	<b>25.837.341</b>	<b>29.901.891</b>	<b>-4.064.550</b>	<b>-13,59%</b>	<b>6,23%</b>	<b>6,56%</b>
Loss forecasts	10.336.567	10.904.990	-568.423	-5,213%	2,49%	2,39%
Analytical value adjustments	10.336.567	10.904.990	-568.423	-5,213%	2,49%	2,39%
Coverage ratio	40,01%	36,47%	-	-	-	-
<b>Restructured loans net of value adjustments</b>	<b>15.500.774</b>	<b>18.996.901</b>	<b>-3.496.127</b>	<b>-18,40%</b>	<b>3,74%</b>	<b>4,16%</b>
<b>Total loans to at-risk countries</b>	<b>45</b>	<b>93</b>	<b>-48</b>	<b>-51,27%</b>	<b>-</b>	<b>-</b>
Loss forecasts	-	1	-1	-75,00%	-	-
Flat-rate value adjustments	-	1	-1	-75,00%	-	-
Coverage ratio	0,55%	1,08%	-	-	-	-
<b>Loans to at-risk countries net of value adjustments</b>	<b>45</b>	<b>92</b>	<b>-47</b>	<b>-51,01%</b>	<b>-</b>	<b>-</b>
<b>Total faulty loans</b>	<b>142.636.409</b>	<b>160.711.729</b>	<b>-18.075.320</b>	<b>-11,25%</b>	<b>34,38%</b>	<b>35,23%</b>
Loss forecasts	67.165.868	78.520.657	-11.354.789	-14,46%	16,19%	17,21%
Value adjustments	67.165.868	78.520.657	-11.354.789	-14,46%	16,19%	17,21%
Coverage ratio	47,09%	48,86%	-	-	-	-
<b>Faulty loans net of value adjustments</b>	<b>75.470.541</b>	<b>82.191.072</b>	<b>-6.720.531</b>	<b>-8,18%</b>	<b>18,19%</b>	<b>18,02%</b>
<b>Total performing loans</b>	<b>272.277.851</b>	<b>295.415.407</b>	<b>-23.137.556</b>	<b>-7,83%</b>	<b>65,62%</b>	<b>64,77%</b>
Value adjustments	3.395.484	3.896.043	-500.559	-12,85%	0,82%	0,85%
Coverage ratio	1,25%	1,32%	-	-	-	-

**Gross impaired loans** at the end of 2021 **stood** at €142.636m, decreasing by €18.075m (-11.25%) compared to the previous year.

During the year ended, BAC continued its policy of close monitoring and recovery on non-performing positions resulting in the contraction highlighted. It should also be noted that the total amount of adjustments on loans, 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 in total.

## Credit quality

Having completed the process of analytical allocation of AQR adjustments in 2020, the Bank continued with the constant monitoring of credit positions during 2021.

The effective management of impaired loans generated substantial returns of € 6.276 million on non-performing loans in 2021.

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

We summarize what was specified in the previous year, about the process of review and mapping of the Asset Quality of the Banking system that the Supervisory Authority had already started in 2016. In particular, the adjustments on loans indicated by the Supervisory Authority on the basis of the Asset Quality Review statistical exercise as of 30/06/2017, according to the 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 the final total 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
<b>Total AQR adjustments according to San Marino criteria</b>	<b>53,500</b>	<b>10,915</b>	<b>42,585</b>	<b>53,500</b>	<b>53,500</b>
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 provided for in Article 40 of Law no.173 of 24 December 2018, i.e., to spread the amount of said residual impairment losses over 10 financial years, starting from 2019; therefore, in the 2021 financial statements, the third tenth, amounting to €4.582 million, was recognised in the profit and loss account.

In this context, the incidence of non-performing loans (gross values) is equal to 22.91% of total loans to customers (compared to 22.92% at the end of 2020) for a nominal €95.072 million, a decrease of €9.456 million (€104.528 million) compared to last year; in the same period, system data show that non-performing loans accounted for 24.62% of total loans (gross values)<sup>6</sup> ; while gross doubtful loans (therefore including other categories of non-performing loans pursuant to CBSM Regulation 2007/07) represent 34.38% of total loans to customers for €142.636m, against a system figure of 60.68%<sup>7</sup> .

The coverage of non-performing loans, as a result of adjustments made during the year, was 47.09%, slightly lower than the percentage for last year (48.86%) (65% system coverage ratio on doubtful loans).

As for performing loans, which as of 31/12/2021 amounted to €272.277m at nominal value (€295.415m as at 31/12/2020), value adjustments were updated for a total of €3.395m, with a decrease in the coverage by way of lump-sum write-down, carried out on the basis of statistical observation of the time series from 2016 to 2021 of the transitions of positions from performing to non-performing loans (so-called transition matrices).

Overall, therefore, total loans to customers amount to a nominal Euro 414.914 million, against which value adjustments of Euro 70.561 million were made; the general coverage of loans to customers is 17.01%, against 18.07% as at 31/12/2020.

<sup>6</sup> Financial system and quarterly statistics Central Bank of San Marino.

<sup>7</sup> Financial system and quarterly statistics Central Bank of San Marino.

## Assets under management

The year just ended shows the values of overall customer deposits at €1,399.22 million (including Custodian Bank activity for the company BAC Investments SG SpA, operational since 2018), up 4.97% compared to the previous year.

The table below shows customer financial assets as of 31/12/2021, broken down by technical form and included in the aggregates of direct and indirect deposits compared to the 2020 data.

### Customers' deposits and securities

DESCRIPTION	31/12/2021	31/12/2020	CHANGE		COMPOSITION	
			Absolute	%	31/12/2021	31/12/2020
<b>A) Direct deposits</b>	<b>710.362.531</b>	<b>683.953.698</b>	<b>26.408.833</b>	<b>3,86%</b>	<b>100%</b>	<b>100%</b>
Savings deposits	2.558.874	2.743.614	-184.740	-6,73%	0,36%	0,40%
Customers' euro and foreign currency accounts	465.917.528	433.069.296	32.848.232	7,58%	65,59%	63,32%
Repurchasing agreements	23.545.756	27.441.068	-3.895.312	-14,20%	3,31%	4,01%
Other funds	20.000.417	10.136.017	9.864.400	100,00%	2,82%	1,48%
Certificates of deposit	195.251.102	207.233.579	-11.982.477	-5,78%	27,49%	30,30%
Internal cheques	687.867	929.136	-241.269	-25,97%	0,10%	0,14%
Subordinate liabilities	2.400.988	2.400.988	-	-	0,34%	0,35%
<b>B) Managed deposits (market value)</b>	<b>9.226.482</b>	<b>10.480.116</b>	<b>-1.253.634</b>	<b>-11,96%</b>		
of which cash	3.972.553	5.014.170	-1.041.617	-20,77%		
of which subordinate loans	-	-	-	-		
<b>C) Administered deposits (market value)</b>	<b>558.087.625</b>	<b>536.956.496</b>	<b>21.131.129</b>	<b>3,94%</b>		
of which bacInvestments SG funds	135.544.162	116.112.309	19.431.853	16,74%		
of which subordinate loans	2.395.000	2.395.000	-	-		
<b>D) Custodian bank activity</b>	<b>135.544.162</b>	<b>116.112.309</b>	<b>19.431.853</b>	<b>16,74%</b>		
of which cash	7.626.467	7.165.957	460.510	6,43%		
of which subordinate loans	-	-	-	-		
<b>Total deposits</b>	<b>1.399.226.780</b>	<b>1.332.927.492</b>	<b>66.299.288</b>	<b>4,97%</b>		

Direct deposits amounted to €710.362 million, an increase of €26.408 million (+3.86%) compared to the end of 2020, more specifically:

- sight deposits decreased by €0.184 million;
- current accounts increased by €32.848 million;
- repurchase agreements with customers decreased by €3.895 million;
- other funds increased by €9.864 million and represent inflows to institutional investors;
- certificates of deposit decreased by €11.982 million;
- bonds issued by the Bank remained unchanged.

We point out that the Bank has made a subordinated bond issue with effect from 01/12/2020 and maturity 2025, reserved for professional customers and BAC Shareholders, shown in the table above under direct deposit components, for the residual amount of €2.4m as of 31/12/2021, as well as detailed, as required by the Supervisory Authority, under indirect deposits between Administered and Managed.

Indirect deposits of €702.858 million (including the Custodian Bank) showed an increase of €39.309 million (+5.92%) compared to the 2020 figure of €663.548 million. In particular, the aggregate denotes:

- an increase of €21.131 million (+3.94%) in assets under administration,
- a decrease of €1.253 million (-11.96%) in assets under management,
- an increase of €19.431 million (+16.74%) for the “Custodian Bank” activity for the seven funds managed by the Group company, BAC Investments SG SpA, of which two (Absolute Return and Strategic Income), authorised during the first four months of 2020, and distributed through BAC’s commercial network. We point out that the expansion of the range of investment products to be offered to clients, in response to diversification requirements, is currently being analysed and studied by BAC Investments SG Spa with the creation of “ESG” Funds, pursuant to art.9 of the EEC Directive, which has sustainable investments as its objective. Lastly, it should be noted that deposits attributable to the Custodian Bank’s activities represent an “of which” in the Administered Assets aggregate.

An analysis of the data in the table shows that customers have added managed and administered deposit products to their traditional direct deposit products; the latter includes the investment funds of the subsidiary BAC Investments SG SpA.

## Financial investments

Financial investments remained stable in terms of total stocks compared to the previous year, however the Bank has rebalanced the portfolio in favour of debt securities and UCITS funds.

With regard to long-term financial assets, there was an overall increase of €17.776 million, determined on the one hand by the disposal of additional long-term securities for €14.118 million, of which €6.00 million were previously transferred to the free portfolio, pursuant to Prot.20/13417 of 22/12/2020, in consideration of the exceptional situation created by the health emergency due to COVID-19, to be executed between 31/12/2020 and 30/06/2021, generating extraordinary income for €0.628 million, in addition to the write-down of the Tower Credit Opportunities (TCO) Fund, based on the NAV of the Green Arrow Fund, assigned to us, net of the liquidation of the remaining liquid assets. This write-down was due to the change in the valuation principles for the investment portfolio, as per CBSM's regulatory decision. On the other hand, increases for further purchases of bonds of primary issuers.

FINANCIAL ASSETS	31/12/2021	31/12/2020	CHANGE	
			Absolute	%
Investment securities	47.679.828	29.902.853	17.776.975	59,45%
of which bonds	40.237.275	22.002.461	18.234.813	82,88%
Trading securities	62.992.015	80.763.642	-17.771.628	-22,00%
of which bonds	25.558.530	61.748.311	-36.189.781	-58,61%
<b>Total financial portfolio</b>	<b>110.671.843</b>	<b>110.666.496</b>	<b>5.347</b>	<b>-</b>

FINANCIAL ASSETS – DEBT SECURITIES Issuers	31/12/2021	31/12/2020	CHANGE	
			Absolute	%
Investment securities	40.237.275	22.002.461	18.234.813	82,88%
of which public issuers	17.772.686	17.646.765	125.921	0,71%
of which credit issuers	15.652.344	2.812.716	12.839.628	456,49%
of which financial issuers	1.018.772	-	1.018.772	100,00%
of which others	5.793.473	1.542.981	4.250.492	275,47%
Trading securities	25.558.530	61.748.311	-36.189.781	-58,61%
of which credit issuers	20.977.074	59.163.878	-38.186.804	-64,54%
of which financial issuers	2.576.368	2.584.433	-8.065	-0,31%
of which public issuers	-	-	-	-
of which others	2.005.088	-	2.005.088	100,00%
<b>Total debt securities</b>	<b>65.795.805</b>	<b>83.750.772</b>	<b>-17.954.968</b>	<b>-21,44%</b>

FINANCIAL ASSETS – DEBT SECURITIES Fixed/variable rate	31/12/2021	31/12/2020	CHANGE	
			Absolute	%
Investment securities	40.237.275	22.002.461	18.234.813	82,88%
of which fixed rate	31.991.764	18.157.298	13.834.466	76,19%
of which variable rate	8.245.511	3.845.164	4.400.347	114,44%
Trading securities	25.558.530	61.748.311	-36.189.781	-58,61%
of which fixed rate	23.439.579	59.310.053	-35.870.473	-60,48%
of which variable rate	2.118.950	2.438.258	-319.308	-13,10%
<b>Total debt securities</b>	<b>65.795.805</b>	<b>83.750.772</b>	<b>-17.954.968</b>	<b>-21,44%</b>

FINANCIAL ASSETS – BONDS Residual life	31/12/2021	31/12/2020	CHANGE	
			Absolute	%
Investment securities	40.237.275	22.002.461	18.234.813	82,88%
• Within 12 months	200.133	-	200.133	100,00%
• Within 5 years	10.761.376	10.348.688	412.688	3,99%
• Over 5 years	29.275.766	11.653.773	17.621.992	151,21%
Trading securities	25.558.530	61.748.311	-36.189.781	-58,61%
• Within 12 months	-	-	-	-
• Within 5 years	25.558.530	20.465.412	5.093.118	24,89%
• Over 5 years	-	41.282.899	-41.282.899	-100,00%
<b>Total debt securities</b>	<b>65.795.805</b>	<b>83.750.772</b>	<b>-17.954.968</b>	<b>-21,44%</b>

It should be noted that, at the end of 2020, the free trading portfolio was subject to transfers of securities from the investment portfolio for nominal value of € 39.782 million, authorised by CBSM with prot.20/13417 of 22/12/2020, as already described in the section on net interest and other banking income.

In particular, at the beginning of 2021, due to the heightened market volatility and expectations of rising interest rates, the bank disposed of part of the securities held in the trading portfolio, which are most exposed to the risk of rising interest rates.

In consideration of the extremely volatile market conditions, in compliance with the investment policies, with the aim of diversifying the investments of liquidity, of a greater future contribution to the interest margin and in order to be able to seize market opportunities, the free portfolio was increased through the subscription of investment funds, partly also issued by the subsidiary BAC Investments SG Spa, and of bonds of primary issuers.

The free portfolio also includes two mutual funds under San Marino law for €13.859 million; these are unlisted instruments as described below:





- Loan Management Fund for €3.343 million, signed on 29/12/2012 following the system operation aimed at rescuing a local bank, Credito Sammarinese Spa in Administrative Compulsory Liquidation, which entailed the transfer of the legal relations assets and liabilities; in compliance with the contractual terms, the transferee banks, including BAC, transferred the acquired loans to a Management Company under San Marino law set up ad hoc. As of 31/12/2021, the fund recorded a NAV write-down of € 0.004 million; the write-down was recorded in the profit and loss account as a result of the forfeiture of tax benefits pursuant to Law no. 223 dated 23/12/2020 with effect from 01/01/2021.
- Fondo Odisseo for €10.516 million, 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 Relationships en bloc from BNS Spa (formerly Credito Industriale Sammarinese Spa) subject to banking 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, whereby BAC took over Protected Relationships for € 25.452 million, against 122 units of Fondo Odisseo for a total of €12.208 million, from 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 had no impact on the profit and loss account, as they were charged, based on the regulations governing the Fund (Law no. 72 of 27/06/2013), as a tax credit. On the contrary, the change occurred following the update of the NAV as at 31/12/2021, was recorded as a credit to SGA Spa (formerly BNS), by virtue of the targeting agreement signed by the banks and on the basis of Law no.223 of 23/12/2020, as specified above, which limited the tax benefits. For clarity, the stocks of the portfolios and their composition compared to 2020 figures are shown.

## Shareholdings

DESCRIPTION	31/12/2021	31/12/2020	CHANGE		COMPOSITION	
			Absolute	%	31/12/2021	31/12/2020
Shareholdings	5.716.957	4.723.110	993.847	21,04%	42,17%	37,97%
Investments in group companies	7.839.372	7.714.561	124.811	1,62%	57,83%	62,03%
<b>Total shareholdings</b>	<b>13.556.329</b>	<b>12.437.671</b>	<b>1.118.658</b>	<b>8,99%</b>	<b>100,00%</b>	<b>100,00%</b>

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

Equity investments in Group companies increased by €0.124 million:

- to the revaluation of the company BAC Investments SG Spa for €0.017 million, for the allocation to reserves of the profit formed in 2021, as per the financial statements approved by the administrative body as of 31/12/2021. The dividend to the Parent Company will amount to €0.153 million, equal to 90% of the profit realised, and will be recorded in cash during 2022.
- To the revaluation of the company BAC Trustee Spa in the amount of €0.016 million, resulting from the allocation to reserves of the profit formed in 2021, as per the financial statements approved by the administrative body as of 31/12/2021. The dividend to the Parent Company will amount to €0.145 million, equal to 90% of the profit realised, and will be recorded in cash in 2022.
- To the revaluation of the company BAC Life Spa for €0.070 million, equal to the allocation to the ordinary reserve of 10% of the profit earned in 2021, as proposed by the administrative body on the financial statements for the year ended as of 31/12/2021. The dividend distributed to the Parent Company, amounting to €0.630 million and corresponding to 90% of the 2021 profit, will be recorded in cash in 2022.
- To the revaluation of the company BacReal Estate Srl for €0.009 million, for cash compensation of the loss in the 2020 financial statements, which occurred in 2021.
- To the incorporation of the company San Marino Finanza e Previdenza Srl, a 51% joint venture with the company Finanza e Previdenza Srl, an Italian insurance agent registered in section A of the RUI with IVASS, a multi-firm agency with leading Italian and international insurance companies, for €0.013 million, as specified in detail in the introduction.

The sum of the above adjustments was recorded in the dedicated reserve fund, reclassified under Net Equity excluding the 2021 losses of BAC Real Estate and San Marino Finanza e Previdenza Srl, for which the administrative bodies have proposed that the Parent Company cover them in 2022.

The values of the shareholdings in Banca Centrale S.p.a. remain unchanged.

Agenzia per lo Sviluppo – Camera di Commercio S.p.A. and Centro Servizi S.r.l., in which we hold a minority interest. Among the increases in other equity investments, the acquisition of a 27.23% stake in BKN301 Spa (formerly Tp@y Spa) for €0.989 million is also worth mentioning. BAC acquired the entire stake held by Banca Nazionale Sammarinese S.p.A., equal to 33.33% in the first half of 2021. In 2021, as already fully described in the introductory notes to the Management Report, the member Banks resolved to change the company name, from TP@Y to BKN301, to renew the management, the entry of new shareholders and an increase in share capital.

In addition, the equity investment in the associated company SSIS Spa, held 50% with Cassa di Risparmio della Repubblica di San Marino Spa, was revalued by € 0.004 million deriving from the allocation of the profit for the year 2021, to the ordinary reserve, in the proportion of 1/2 to adjust the value of the Financial Statements to the shareholders' equity; this revaluation was also included in the Revaluation reserve forming part of the Bank's shareholders' equity, as proposed by the Board of Directors.

## Interbank

As part of its financial activities, the Bank recorded a positive net interbank balance of €180.850 million at the end of 2021. Compared to the corresponding evidence at the end of 2020, the balance showed an increase of €47.382 million in net assets, due to the corresponding increase in direct deposits volumes, as well as prudent management of treasury assets (observed market turbulence brought about by the Covid-19 pandemic and Russia-Ukraine geopolitical frictions). The level of net position bears witness to the virtual absence of interbank indebtedness, confirming the constant monitoring of liquidity through the management and monitoring of inherent risks. In compliance with the updated 3-YEAR Plan 2020-2022 and the "Risk Appetite Framework" Regulations (March 2021 edition), 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	31/12/2021	31/12/2020	CHANGE		COMPOSITION	
			Absolute	%	31/12/2021	31/12/2020
<b>Loans to banks</b>	<b>182.078.480</b>	<b>134.657.459</b>	<b>47.421.020</b>	<b>35,22%</b>	<b>100,00%</b>	<b>100,00%</b>
• In euro	173.354.388	125.797.133	47.557.255	37,80%	95,21%	93,42%
• In foreign currency	8.724.092	8.860.326	-136.235	-1,54%	4,79%	6,58%
<b>Amounts due to banks</b>	<b>1.228.033</b>	<b>1.189.695</b>	<b>38.338</b>	<b>3,22%</b>	<b>100,00%</b>	<b>100,00%</b>
• In euro	1.227.214	1.189.232	37.983	3,19%	99,93%	99,96%
• In foreign currency	819	464	355	76,68%	0,07%	0,04%
<b>Net position</b>	<b>180.850.446</b>	<b>133.467.764</b>	<b>47.382.682</b>	<b>35,50%</b>	<b>100,00%</b>	<b>100,00%</b>
• In euro	172.127.173	124.607.901	47.519.272	38,14%	95,18%	93,36%
• In foreign currency	8.723.273	8.859.863	-136.590	-1,54%	4,82%	6,64%

INTERBANK	31/12/2021	31/12/2020	CHANGE		COMPOSITION	
			Absolute	%	31/12/2021	31/12/2020
<b>Loans to banks</b>	<b>182.078.480</b>	<b>134.657.459</b>	<b>47.421.020</b>	<b>35,22%</b>	<b>100,00%</b>	<b>100,00%</b>
• Short term (up to 12 months)	157.261.462	102.489.663	54.771.800	53,44%	86,37%	76,11%
• Medium and long term (over 12 months)	24.817.018	32.167.796	-7.350.780	-22,85%	13,63%	23,89%
<b>Amounts due to banks</b>	<b>1.228.033</b>	<b>1.189.695</b>	<b>38.338</b>	<b>3,22%</b>	<b>100,00%</b>	<b>100,00%</b>
• Short term (up to 12 months)	1.228.853	1.189.695	39.157	3,29%	100,07%	100,00%
• Medium and long term (over 12 months)	-	-	-	-	-	-
<b>Net position</b>	<b>180.850.446</b>	<b>133.467.764</b>	<b>47.382.682</b>	<b>35,50%</b>	<b>100,00%</b>	<b>100,00%</b>
• Short term (up to 12 months)	156.032.609	101.299.967	54.732.641	54,03%	86,28%	75,90%
• Medium and long term (over 12 months)	24.817.018	32.167.796	-7.350.779	-22,85%	13,72%	24,10%

## 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 31/12/2021 will amount to € 85.824 million, compared to €88.331 million at the end of 2020, a decrease of €2.507 million.

The change in net equity is substantially attributable to the negative result for 2021 and the changes that occurred on the adjustments to the Group's equity investments recorded under net equity 2021.

The table below shows the Institute's assets compared to the 2020 data:

NET EQUITY	31/12/2021	31/12/2020	CHANGE	
			Absolute	%
<b>Capital and reserves</b>	<b>88.346.840</b>	<b>89.829.484</b>	<b>-1.482.644</b>	<b>-1,65%</b>
Share capital – subscribed and paid-up shares	20.880.080	20.880.080	-	-
Ordinary reserve fund	49.248.958	50.873.984	-1.625.027	-3,19%
Extraordinary reserve fund	-	-	-	n.d.
Share premium reserve fund	-	-	-	n.d.
Own share reserve fund	14.378	14.378	-	-
Non-distributable reserve fund	126.612	-	126.612	100,00%
Revaluation reserves	18.076.812	18.061.042	15.770	0,09%
Retained loss	-	-1.656.680	1.656.680	-100,00%
Result for the year	-2.522.804	158.266	-2.681.070	-1694,03%
<b>Total</b>	<b>85.824.035</b>	<b>88.331.070</b>	<b>-2.507.034</b>	<b>-2,84%</b>

The share capital, fully subscribed and paid in, is € 20,880,080.00 divided into 803,080 shares with a nominal value of € 26.00 each.

### Own shares

The number of own shares is equal to 553 shares for a nominal value of €14,378, corresponding to 0.07% of the subscribed capital. The Bank has set up a special reserve fund of the same amount against the treasury shares held in portfolio, as required by current legislation.

## Regulatory capital and capital ratios

The Regulatory Capital, determined in accordance with the provisions of the Supervisory Authority, stands at € 42.059 million, with a Total Capital ratio of 12.90%, an improvement of 2.790 percentage points compared to 31/12/2020, although on the Regulatory Capital the suspensions deriving from the AQR adjustments made during 2018 and 2019 were deducted for 7/10 of the total. Since the bank has decided to benefit from 2019, from a statutory point of view, from the option descending from art.40 of Law 173/2018, which allows, following a reasoned application authorized by the Supervisory Authority, the distribution to the profit and loss account of the results of the AQR exercise over a period of 10 years, the allocation, as a deduction to Regulatory Capital of the AQR adjustments in suspension on 2021 is equal to € 32.072 million, down by € 4.581 million compared to 31/12/2020, due to the recognition of the portion (1/10) directly to the 2021 Profit and Loss Account.

BAC shows no capital deficiency for Prudential Supervisory purposes in the year just ended.

The Bank had prudentially submitted a specific request to the Supervisory Authority, pursuant to Article VII.II.12 of CBSM Regulation 2007-07, in order to benefit from a waiver of the full deduction of the equity investment in BAC Life SpA, which is a solid holding and unique among San Marino banking groups and which, pursuant to CBSM Regulation 2008-01, is already subject to the measurement of the solvency margin, fully complied with. In response, with Prot. 21/2807 of 09/03/2021, the Supervisory Authority granted BAC, when calculating the possible 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 BAC Life to carry out insurance activities, which it does not currently require.

REGULATORY CAPITAL	31/12/2021	31/12/2020	CHANGE	
			Absolute	%
Supervisory capital	42.059.470	31.330.660	10.728.810	34,24%
<b>A. WEIGHTED RISK ASSETS</b>				
<b>A.1 Credit and counterpart risk</b>	326.154.230	310.035.766	16.118.464	5,20%
<b>C. SUPERVISORY RATIOS</b>				
<b>C.1 Supervisory capital / Weighted assets</b>	12,90%	10,11%	2,790%	27,61%



## Relations with subsidiaries and associated concerns

Transactions with subsidiaries form part of the Bank's ordinary operations and are conducted on normal market terms. In order to provide information on the relationships and contracts signed and executed with Group companies, the following tables show the related dealings:

- **BAC Trustee SpA** opened correspondence current accounts with the Bank for the current management of its business, the balance of which amounted to €0.250million at the end of 2021.
- **BAC Life SpA** opened correspondence current accounts with the Bank for the current management of its business, the amount of which at the end of 2021 was €3.183million.
- **BAC Real Estate Srl** has opened correspondence accounts with the Bank for €0.012 million and SAL leasing contracts for a total of €12.385 million.
- **BAC Investments SG Spa** has opened a current account with the Bank for €0.694 million for the current management of its business.
- **San Marino Finanza e Previdenza Srl** opened a current account with the Bank for € 0.024 million at the end of 2021, for the current management of its business.

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

## Assets and liabilities with parent, subsidiary and associated companies

DESCRIPTION	31/12/2021	31/12/2020
<b>Assets</b>		
<b>Loans and advances to banks</b>	<b>159.554.195</b>	<b>116.993.426</b>
• BANCA CENTRALE SPA	159.554.195	116.993.426
<b>Loans to customers</b>	<b>14.053.724</b>	<b>12.987.498</b>
• SSIS SPA	635.205	693.764
• BAC TRUSTEE SPA	-	-
• BAC REAL ESTATE SRL	12.385.678	12.293.734
• BKN301 SPA	1.032.841	-
<b>Bonds and other financial debt instruments</b>	<b>-</b>	<b>-</b>
<b>Shareholdings</b>	<b>5.716.957</b>	<b>4.723.110</b>
• SSIS SPA	333.721	329.502
• AGENZIA PER LO SVILUPPO – CAMERA DI COMMERCIO	1.033	1.033
• BANCA CENTRALE SM	4.059.241	4.059.241
• CENTRO SERVIZI	333.333	333.333
• BKN301 SPA	989.628	-
<b>Shareholdings in companies of the banking group</b>	<b>7.839.372</b>	<b>7.714.561</b>
• BAC TRUSTEE SPA	183.795	167.694
• BAC LIFE SPA	6.692.760	6.622.787
• BAC REAL ESTATE SRL	415.000	406.481
• BAC INVESTMENTS SG SPA	534.557	517.599
• SAN MARINO FINANZA E PREVIDENZA SRL	13.260	-
<b>TOTAL ASSETS</b>	<b>187.164.247</b>	<b>142.418.594</b>
<b>Liabilities</b>		
<b>Due to customers</b>	<b>4.746.206</b>	<b>2.392.838</b>
• BAC TRUSTEE SPA	249.952	51.162
• BAC LIFE SPA	3.182.806	1.562.747
• BAC REAL ESTATE SRL	12.339	57.114
• SSIS SPA	15.097	134.751
• BAC INVESTMENTS SG SPA	694.843	585.717
• CENTRO SERVIZI	568	1.347
• BKN301 SPA	450.625	-
• SAN MARINO FINANZA E PREVIDENZA SRL	23.661	-
• AGENZIA PER LO SVILUPPO – CAMERA DI COMMERCIO	116.315	-
<b>Debts represented by financial instruments</b>	<b>-</b>	<b>-</b>
• BAC TRUSTEE SPA	-	-
<b>Other liabilities</b>	<b>-</b>	<b>210.000</b>
• BAC TRUSTEE SPA	-	210.000
<b>TOTAL LIABILITIES</b>	<b>4.746.206</b>	<b>2.602.838</b>
<b>Guarantees and commitments</b>	<b>-</b>	<b>-</b>
• <b>Guarantees given</b>	<b>-</b>	<b>4.000</b>
• <b>Commitments</b>	<b>-</b>	<b>-</b>



## Revenues and expenses to related parties: subsidiaries and parent company

DESCRIPTION	31/12/2021	31/12/2020
<b>Interest income and similar revenues</b>	-	-
• BAC LIFE SPA	-	-
<b>Interest expense and similar charges</b>	-	-
• BAC TRUSTEE SPA	-	-
• BAC LIFE SPA	-	-
<b>Dividends</b>	-	-
• BAC FIDUCIARIA SPA	-	-
• BAC LIFE SPA	-	-
<b>Interest margin</b>	-	-
<b>Commission income</b>	<b>977.560</b>	<b>977.490</b>
• BAC LIFE SPA	350.000	362.000
• BAC INVESTMENT SG SPA	608.310	615.490
• SAN MARINO FINANZA E PREVIDENZA SRL	19.250	-
<b>Commission expenses</b>	-	-
<b>Profit and losses from financial transactions</b>	-	-
<b>Other net proceeds</b>	<b>79.250</b>	<b>75.000</b>
• BAC TRUSTEE SPA	8.000	15.000
• BAC INVESTMENT SG SPA	30.000	30.000
• BAC LIFE SPA	30.000	30.000
• SAN MARINO FINANZA E PREVIDENZA SRL	11.250	-
<b>Service margin</b>	<b>1.056.810</b>	<b>1.052.490</b>
<b>Intermediation margin</b>	<b>1.056.810</b>	<b>1.052.490</b>
<b>Operating costs</b>	<b>200.140</b>	<b>215.628</b>
<b>a) Personnel expenses</b>	<b>200.140</b>	<b>215.628</b>
• BAC TRUSTEE SPA distacchi in	60.417	55.089
• BAC INVESTMENT SG SPA distacchi out	78.908	96.317
• BAC LIFE SPA distacchi out	23.478	39.635
• BAC TRUSTEE SPA distacchi out	37.336	24.587
<b>b) Other administrative expenses</b>	-	-
<b>Operating result</b>	<b>856.670</b>	<b>836.862</b>



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 Trustee SpA**

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

#### **BAC Life SpA**

- Members of the Board of Directors Chairman: Daniele Savegnago, Directors: Wladimir Biasia, Luigi Giulio Aiudi; Director: Lorenz Berti.
- Members of the Board of Statutory Auditors: Chairman: Stefania Maria Gatti, Statutory Auditors: Corrado Taddei and Alberto Vaglio.

#### **BAC Investments SG SpA**

- Members of the Board of Directors. Chairman: Wladimir Biasia, Vice Chairman: Andrea Ragagni; Directors: Daniele Savegnago, Gian Primo Giardi (independent Director); Director: Luca Pantaleoni.
- Members of the Board of Statutory Auditors Chairman: Stefania Maria Gatti, Statutory Auditors: Andrea Lombardi, Alberto Vaglio.

#### **BAC Real Estate Srl**

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

#### **SAN MARINO Finanza e Previdenza Srl**

- Members of the Board of Directors: Chairman Daniele Savegnago, Directors: Davide Selva, Samuele Brunetti.
- Sole Auditor: Sandy Concetta Stefanelli.

## Communication, marketing and commercial activity

The year 2021 was mainly characterized by the commercial initiatives such as:

- funding dedicated to smart working or distance learning,
- online checking account.

Development of new products such as:

- the BAC supply chains (lines dedicated to suppliers and customers of our facilitated companies),
- pos revolving (to finance business costs by advancing trade receivables),
- green leasing (for the purchase of hybrid or electric cars),
- mastercard debit (for electronic payments).

Updates of previous agreements linked to first home loans were also carried out.

During 2021, the promotional campaign of the subsidiaries BAC Trustee Spa and San Marino Finanza e Previdenza Srl was launched; the latter new company in particular was greatly appreciated by customers with numerous policies underwritten both in the “life” and “non-life” lines of business.

BAC's institutional website is constantly updated, from the “news” page, where information regarding the BAC group is reported, to the “real estate” page, regarding the Bank's assets for sale, generating a lot of interest and contact opportunities for potential divestments.

It was also created the site dedicated to Villa BAC, aimed at promoting the prestigious property owned by BAC, leased for events such as ceremonies and conventions.

For some years now, BAC has been strongly focused on the green world; the Bank has in fact:

- installed a photovoltaic system that reduces the cost of electricity to zero, as well as limiting CO2 emissions to the equivalent of 156 trees planted,
- carried out the gradual replacement of halogen lights with LED lights in all the premises of the BAC group,
- reduced the use of plastic (cups, mugs and water bottles were donated to employees),
- introduced low-interest loans for energy requalification or saving interventions,
- activated the Leasing Green employment product, dedicated to the purchase of hybrid or fully electric vehicles.

BAC also has several other initiatives planned such as:

- installation of water microfiltration systems in all branches,
- mutual funds with underlying ESG certified funds or equivalent, which aim to invest in the sustainable economy. As far as the websites of BAC Investments SG Spa and BAC Life Spa are concerned, they have

been periodically updated by reporting the returns and schedules of the products offered, making them more usable and consultable by clients, potential clients and employees; in favour of the latter, a market analysis is prepared on a weekly basis by the General Manager of the management company.

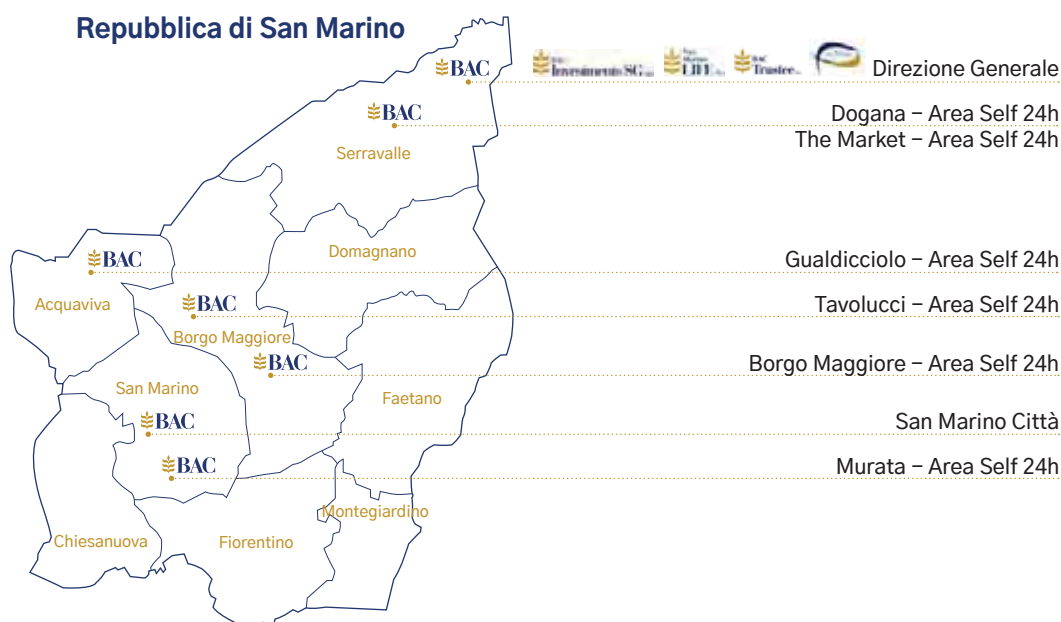
The restyling project of the three institutional websites will be operational in the first half of 2022, promoted by a dedicated advertising campaign; improved and updated aesthetics, but above all simplified interface with selection of the type of customer/prospect (private or business) and then services/products aimed at this and going to optimize and make them “responsive” for use, now prevalent, through smartphones.

Seeking to exploit every touch point, the bank’s ATMs also continue to be used to advertise products, services and subsidiaries, as well as to advertise properties for sale.

The presence of BAC in local newspapers continues; constant activity on Facebook and LinkedIn pages, with excellent results.

BAC, thanks to its retail network structured with a distribution model consisting of main branches and branch offices, has a widespread presence in the Republic, thus being able to provide rapid responses and ensuring maximum flexibility. Below is its structure:

- 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.
- 6 Self-service Areas open 24 hours a day to guarantee a complete and constant service.
- Internet Banking to have your bank always just a click away.



## Organizational activities 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 project aspects

During the year the “organizational structure” was further developed with a view to constantly pursuing the objective of improving the efficiency of the processes and services offered by the BAC Group. The updating of the “General Regulations for Corporate Bodies, General Management and Peripheral Structures” concerned both the composition of the management structures and certain operating processes, which are summarized below:

- updating the composition of the Banking Group to include the new entities represented by BAC TRUSTEE Spa (formerly BAC FIDUCIARIA Spa) and SAN MARINO FINANZA E PREVIDENZA S.r.l.,
- reallocation of the Committees alongside the Board of Directors,
- assignment of the Planning and Management Control OU to the General Manager,
- establishment of a new structure, defined as Fiduciary Activities Unit, responsible for the specific activities of managing the “Fiduciary Mandate” relationships previously allocated to the Subsidiary BAC FIDUCIARIA Spa now BAC TRUSTEE Spa.

In the area of Technology, the Institute has defined the guidelines for the development of the banking information system, and the project for the acquisition of full ownership of the software in use has been launched.

In addition, specific technological interventions were launched aimed at improving IT efficiency and/or integrating new functions and services, including the following:

- revamping of the company’s security systems, both at the head office and at all the bank’s branches, by replacing all the alarm control panels with systems updated to modern security standards and with modern management and control functions,
- replacement of all video recording systems with devices suitable for integration with the new integrated Management and Control system.

In the area of Cyber Security, the Institute has equipped itself with a new security product aimed at significantly increasing the protection of all

Endpoints (PCs, Laptops and Smartphones). The system uses new and advanced cyber threat prevention systems based on Artificial Intelligence and the Global Intelligence Network, a global network to which it is interconnected and exchanges information in real time regarding cyber threats, types of cyber-attack and threat classification to enable proactive defence of the corporate network. The system will be fully operational within the second half of the year and will enable a significant increase in the Bank's Cyber Security defences.

During the year, further project activities in the "e-money" area were completed and/or started:

- the launch of the Smac card reloading project from ATM;
- the start of the replacement of the entire POS installed at Merchants. The new Android POS belongs to the so called Smart-Pos typology and it will allow the management of the dematerialized Smac and the possibility for the Merchant to accept new payment circuits. Moreover, the new POS will allow Merchants to use the applications available in the AppStore, an open ecosystem that evolves thanks to the collaboration and connection of payment service providers and acquiring banks with software developers and POS users;
- the integration of MasterCard Debit, a new service-rich debit card;
- the installation of two new ATMs at the new San Marino Outlet Experience centre;
- 5) the production start-up of the new RAC platform for both POS and ATMs;
- the implementation of the PSD2 regulations on payment systems, in particular the Organisation & IT Unit defined and tested the new authentication methods required by the regulations, which will become mandatory for the use of the Bank's Internet Banking systems from November 2021. The new system, in addition to increasing security to better protect customers, provides an improved User Experience.

During the second half of the year, the bank's support services were heavily involved in supporting customers in the process of adopting and using the new Authentication tools.

The WWS Open Api platform has also been activated to allow access to Third Party Providers and enable customers to take advantage of all the new services that will be developed and provided by the new entities operating in the sector and interconnected to the bank thanks to the enabling technologies adopted.

The PSD2 regulation has introduced many new technological and organisational innovations, the Organisation Unit has been heavily involved, starting from the second half of the year, in activities aimed at technological implementations and activities related to the management of ICT Risk and with an impact on Payment Systems.

As a result of the above projects and the related investments, the rigorous control over costs undertaken in recent years has continued during the past year, resulting in significant savings in administrative expenses (-9.66%).

In general, all overhead costs (administrative expenses and depreciation on capital goods) fell by a significant 8.95%.

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			Absolute	%
Administrative expenses	-4.220.895	-4.672.230	451.335	-9,66%
Indirect taxes	-191.999	-207.184	15.185	-7,33%
Depreciations on instrumental assets	-1.224.561	-1.312.449	87.888	-6,70%
<b>Total</b>	<b>-5.637.455</b>	<b>-6.191.863</b>	<b>554.408</b>	<b>-8,95%</b>

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

- “Operation of non-performing loans – Regulations for units such as Problem Loan Management, Litigation and Debt Collection”;
- “Organisational and Management Model ex Art. 7 law 99/2013 – updated “January 2021”;
- “Risk appetite Framework – 3Year-Plan-2021-2022-2023”;
- “General Regulations – March 2021 edition”;
- “Conferment of Signature and Management Powers”;
- “Committee Regulations – Updated March 2021”;
- “Measurement and Control of Operational Risks”;
- “Treasury Management Regulations”;
- “Support Measures for Households, Self-Employed Businesses, Self-Employed Freelancers and Professional Agricultural Operators on Mortgages and Financing”;
- “Delegations of authority with respect to the granting of credit, management of customer classification and withdrawal of credit facilities”;
- “Consolidated Act on Anti-Money Laundering, Countering the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction updated May 2021”;
- “Foreign unit – Foreign Transfer/Payment Orders – Operational Manual updated May 2021”;
- Securities Operations Manual;
- Whistleblowing – CBSM Regulation 2007-01 – Regulation on Whistleblowing Procedures under Article 68 of the LISF as amended by CBSM Regulation 2020-05;
- Recalculation of purchase values of equity investments and financial instruments art. 75 Law no. 223 of 23/12/2020;
- Product Operating Procedure “Life Multi-branch Protected”, “Life Best Protection”, “Life Recurrent”, “Life Recurrent Pension”;
- FIA Newsletter 3/2021 “News related to the fight against money laundering and terrorist financing published on the main national and international websites” – Covid Publication-19 “Changes in the ML/



TF risk landscape – Moneyval Report “Fifth Round Mutual Evaluation Report (MER) – April 2021”;

- POS service, Acquiring Pagobancomat and international and E-Commerce;
- Credit risk: lending: quantitative and qualitative limits – updated (Nov 2021);
- Bancomat Cards – Credit Cards and Prepaid Cards BKN301 – Mastercard debit – Conad Cards – Telepass and Viacard;
- New Agreements for customer financing: Car and Commercial Vehicle Leasing, Green Leasing, Residential Construction, Efficiency Technological Systems, Fast Loan, Financing of Thirteenth month’s pay and Severance Indemnity, Fast Loan at affiliated merchants;
- Pos Revolving credit line – credit advance;
- FIA Newsletter 4/2021 “News related to the fight against money laundering and terrorist financing published on the main national and international websites”;
- Manual of Data Processing Procedures and Related Internal Control Procedures in Disclosure Supervision Pursuant to CBSM Regulation 2015-01 (November 2021 version);
- New agreements for customer financing;
- LEASING – New products update;
- Depositors’ Guarantee Fund;
- Consolidated Act on Anti-Money Laundering, Countering the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction updated Dec. 2021;
- Senior Management Appointment;
- Treasury Regulation;
- Complaints Office, Payment Systems Fraud Reporting and Commercial Disputes Office.



## Staff

### Evolution and composition of the staff

As of 31 December 2021, the Bank's workforce was 113, a decrease of 2 resources from the previous year.

This difference was determined by the exit of 4 resources (2 clerks and 2 middle management) of which 2 due to voluntary resignation, 1 due to early retirement and 1 due to transfer to a Group company; 2 new resources were also added (1 Executive and 1 Middle management).

With regard to the hiring of the Executive resolved by the Board of Directors at its meeting of 27 October 2021, the Board resolved to appoint him as Deputy General Manager, in order to strengthen the Management of BAC which, for more than two years, has been governed by the General Manager alone.

The number of resources seconded (Law 131/2005) to Group companies is 1.5 units, while 1 unit is seconded to BAC from a Group company.

A total of 3 employees were absent from work due to maternity leave and union leave, and one employee was absent due to parental leave. Part-time work was carried out by 12 employees, bringing the full-time equivalent to 104.72.

The workforce, at the end of the year, consisted of 2 Executives representing 1.77% of the total, 21 Officials representing 18.58% of the workforce, 14 Middle Managers representing 12.39% of the total workforce and 76 Clerks representing 67.26% of the total workforce.

The average age of the staff is 46.39 years.

49.77% of staff are employed in the Commercial Network, while 50.23% are in the General Management and Organisational Units.

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

COMPOSITION BY AGE	Men	Women	Total	% Incidence
Over 50	20	11	31	27,43%
From 41 to 50	30	28	58	51,33%
From 31 to 40	13	10	23	20,35%
Up to 30	1	-	1	0,88%
<b>Total</b>	<b>64</b>	<b>49</b>	<b>113</b>	<b>100,00%</b>

COMPOSITION BY LENGTH OF SERVICE	Men	Women	Total	% Incidence
Over 30	10	4	14	12,39%
From 21 to 30	18	19	37	32,74%
From 11 to 20	29	23	52	46,02%
Up to 10	7	3	10	8,85%
<b>Total</b>	<b>64</b>	<b>49</b>	<b>113</b>	<b>100,00%</b>

COMPOSITION BY EDUCATION QUALIFICATION	Men	Women	Total	% Incidence
University degree	17	15	32	28,32%
School diploma	46	34	80	70,80%
Other	1	-	1	0,88%
<b>Total</b>	<b>64</b>	<b>49</b>	<b>113</b>	<b>100,00%</b>

As was the case in 2020, the current year was also affected by the COVID-19 epidemic, which led the government to issue countless legislative measures aimed at containing its spread. The Bank has maintained all the necessary safety measures and safeguards to protect the health of workers and customers within the company. It has also encouraged the use of holidays and leave and supported “home working”. The end of the health emergency, effective April 1, 2022, was sanctioned by Decree Law No. 55 of 29 March 2022.

## Training

The way in which the training activity was delivered was subject to the limitations dictated by the pandemic situation: in fact, online training was preferred to face-to-face training, the latter being used only for short meetings in large spaces or with a small number of participants. It was possible to appreciate, on the one hand, the company’s firm desire to invest in training activities, and on the other, that of the employees to commit to their own professional growth, all of which is also testified by the number of hours dedicated to it, which in 2021 will total more than 3,800 hours of training.

The Bank availed itself of the services of leading Italian training companies such as ABI, AIRA, SP Consulting, and participated in initiatives proposed by important entities operating in San Marino (University of San Marino, Abiesse, Assoservizi, Order of Chartered Accountants, Academy of Trust, etc.). Furthermore, it has encouraged its employees in specific functions to act as speakers in training courses of a compulsory or other nature.

At the beginning of the year the RUT held an in-depth meeting on Trusts aimed primarily at staff working in the network, then later in the year the RUT and Trust qualified colleagues in turn attended the annual refresher course at the Trust Academy.

The topic of Anti-Money Laundering was dealt with several times by the AML Officer during the year, both with sessions dedicated to the entire structure – including members of the Board of Directors and Board of Statutory Auditors – and with speeches dedicated to specific topics for specific roles. The DPO held an internal course on Privacy for all employees on the Teams platform and attended the “Data Protection Officer” training course, passing the final test, and took part in the conference on “Protection of Personal Data between National Legislation and Convention 108+” organized by the Italian Data Protection Authority.

Following the incorporation of the Insurance Agency “San Marino Finanza e Previdenza Srl”, in which the bank exercises control, some network colleagues took part in training days at Finanza e Previdenza in Imola, a company which participates in the newly-established company; the training was then extended to most of the colleagues operating in the network and not only, with the aim of introducing insurance topics concerning the non-life line of business. In the insurance field, the e-learning course continued for the certification of possession/maintenance of professional skills in accordance with CBSM Regulation 2007-02.

In the area of credit, participation in ABI Formazione courses was promoted, such as:

- “Expert Monitoring and Management of Non-Performing Credit”;
- “Index and flow-based financial statement analysis: proactive reading of historical hard data”;
- “Prospective valuation under uncertainty: reading the business plan”;
- “The active management of impaired loans”.

There was also participation in ABI’s annual event “Credito al Credito” and in the seminar on the “Evolution of the world of credit” of which Bancaforte was an average partner.

Specific courses for the control functions concerned:

- “Cyber Security Management” now in its fourth edition, organized by the Bologna Business School;
- “Training Intervention for the Risk Manager Function”, organized by ABS;
- “The role of the AML function and the AML/CFT risk control”, AIRA accredited”;

- “Anti-money laundering regulations and compliance of auditors”, organized by the Order of Chartered Accountants and Accounting Experts of RSM”;
- “AML EXPO”, organized by Cerved;
- “New IVASS Regulation no. 111/21”, organized by SP Consulting;
- “30 Years of AML: between past and future”, organized by Aicom;
- “Executive Master in International Sanctions and Trade Compliance”, organized by Aicom;
- “No Privacy, No Money – the Economic Value of Personal Data in Banking”, organized by the Order of Chartered Accountants of the RSM”;
- “AML&Fintech Conference”, organized by the European Anti-Money Laundering & Compliance Study Center, in which an employee participated as a speaker;
- “Professional training course for Risk Managers in banks”, organized by Abiformazione;
- “WHISTLEBLOWING – the state of the art 4 years after entry into force”, organized by Conformis in Finance;
- “Crypto-Assets: characteristics, types, functioning and EU AML rules”, edited by Informa;
- “Risk Legal Management and Compliance”; organized by Assoservizi;
- “Corporate control functions at the heart of innovation”, organized by Abiformazione;
- “Strategic analysis and regulatory developments in the field of anti-money laundering”, organized by SGR compliance.

Of particular note is the training course undertaken by an IT colleague in the area of Cybersecurity Analyst, with the issue of certification upon passing the examinations; in addition, two employees, also in the IT department, took part in the “AWS Training” promoted by the Secretariat of State for Industry, Crafts and Commerce.

The Head of the Legal and Corporate Affairs Secretariat undertook the path on “Advanced Training for Legal and Economic Professions 2021/2022” organized by the University of the Republic of San Marino. This path started in November 2021 and will end in May 2022.

Personnel belonging to the marketing function have received specific training in “Brand Positioning” and “Funnel & Mixed Marketing Automation”.

In continuation of what had already been activated last year, office automation courses were organised at various levels with a total of 42 participants.

Starting from September, the “Morning Meeting” was established by the Director of the subsidiary Bac Investments SG, addressed to all colleagues of the commercial network, during which relevant finance issues and the analysis of the trend of the main market variables are discussed. The participation of some managers in the “Wealth Management” forum organised by ABI was also promoted.

On the managerial side, participation in the courses on “Human Resources Management” and “Problem Finding and Problem Solving” organised by Anis was recorded.

Management and some Managers took part in the workshop organised by the Italian Association for Planning and Management Control (APB) on “Sustainable Finance and ESG: the future of banks and finance”; in the ABI event “ESG in Banking: sustainability and development”; at SADIBA WEB 2021, a cycle of three seminars organised by the Association for Bank and Stock Exchange Studies; at the event organised by Ente Cassa di Faetano “The value of local banks and the internationalisation process of the economy”, and at the course “Bancassicura 2021”.

Also of note is the “Training course for corporate officers and senior functions of LISF authorised parties” organised by ABS, which will continue in 2022, which the bank readily joined.

The training cycle regarding “Worker Training and Information” under Law 31/1998, initiated in 2020 and suspended due to the flare-up of the pandemic, was completed.

### **Trade union relations**

In 2021, ABS attempted to resume negotiations for the renewal of the CCNL, which was broken off at the end of 2020. To date there have been no developments.

## 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 has 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 annual plan for the audits/inspections to be carried out in respect of the Bank and all the Group Entities for which the Function has

been outsourced, and in any event without prejudice to the right to intervene on the entire perimeter, 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** is in charge of second-tier 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 the individual production areas with the risk-return objectives assigned. The Risk Management function has an overall view of all the risks assumed by the Bank and more in general by the Group and brings together within it the specific skills involved in managing the various types of risk, 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, investigates them and involves the competent company units as well as prepares the related 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.

During the year, the **Internal Auditing function** monitored the work of the entire organisational structure, on the basis of the plan included in the "2021 Internal Audit Plan" approved by the Parent Company's Board of Directors at its meeting on 29 January 2021, in addition to the specific plan assumed by the subsidiary BAC Life Spa, whose Internal Auditing activities are outsourced to the same function of the Parent Company BAC. With regard to the subsidiary BAC Investments SG S.p.A. it should be noted that the Internal Auditing function has been outsourced to a third-party company. It should 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 the 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 2021, which are set out below and ordered with respect to the date of issue of the corresponding internal regulations (Circulars):

Type	Year	No.	Internal regulations	Supervisory provisions
CIR	2021	2	FIA Newsletter 01/2021	FIA Newsletter 1/2021 "News related to the fight against money laundering and terrorist financing published on the main national and international websites".
CIR	2021	16	Urgent measures to assist San Marino families, legislative decree 73/2021	SUPPORT MEASURES FOR FAMILIES, BUSINESSES ... Decree Law no.6 of 26 January 2021 (Ratification Decree Law 224/2020), Regulation no.2 of 4 February 2021, Delegated Decree no.60 of 26 March 2021 (Ratification of Delegated Decree no.49 of 4 March 2021), Delegated Decree no.73 of 29 April 2021.
CIR	2021	23	FIA newsletter 2/2021	FIA Newsletter 2/2021 "News related to the fight against money laundering and terrorist financing published on the main national and international websites".
CIR	2021	28	Whistleblowing Reports	Whistleblowing – CBSM Regulation 2007-01 – Regulation on Whistleblowing Procedures ex art. 68 LISF amended by CBSM Regulation 2020-05
CIR	2021	33	FIA Newsletter 3/2021 – Covid-19 Publication – Moneyval Report	<ul style="list-style-type: none"> <li>• FIA Newsletter 3/2021 "News related to the fight against money laundering and terrorist financing published on the main national and international websites".</li> <li>• Covid-19 Publication "Changes in the ML/TF risk landscape</li> <li>• Moneyval Report "Fifth Round Mutual Evaluation Report (MER) – April 2021"</li> </ul>
CIR	2021	42	FIA Newsletter 4/2021	FIA Newsletter 4/2021 "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:

Type	Year	No.	Internal regulations	Internal regulatory developments and/or external regulatory adjustments
CIR	2021	3	Organizational Model Law 99.2013 (Jan2021)	Organisational and Management Model ex Art. 7 law 99/2013 – General & Special Part – updated "January 2021".
CIR	2021	6	Central Risk (Feb2021)	Disclosure requirements concerning the Central Risk Management System – CBSM Circular 2015-02 and subsequent amendments
CIR	2021	9	General Regulations (Mar2021)	Update of the General Regulations for Corporate Bodies, General Management and Peripheral Structures ("March 2021")
CIR	2021	11	Regulations Committees (Mar2021)	Rules of Procedure of the Internal Committees – updated (mar 2021)
CIR	2021	19	Consolidated Act on AML CFT PF	Consolidated Act on Anti-Money Laundering, Countering the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction updated May 2021
CIR	2021	24	Securities Manual	Securities Operations Manual (updated)
CIR	2021	43	Information Supervision Manual	Manual of Data Processing Procedures and Related Internal Control Procedures in Disclosure Supervision Pursuant to CBSM Regulation 2015-01 (November 2021 version)
CIR	2021	45	Depositors' Guarantee Fund	"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" (updated Nov2021)
CIR	2021	49	Treasury Management Regulations	Regulation of Treasury Management activities (corporate liquidity and financial portfolio)

The **Risk Management Function** carried out its activities in the manner and frequency required by internal regulations.

During 2021 the Bank approved the update of the 2020–2022 3Year–Plan and consequently at the Board of Directors meeting on 10/3/2021 the new RAF was approved.

Specifically, during 2021, the Risk Management function performed the main activities indicated below:

- Formulation of opinions on major transactions;
- Quarterly analysis of risk positioning and verification of compliance with the limits set by the RAF;

- Level II controls on asset quality;
- Continuous monitoring of the liquidity position, both operational and structural, according to the model defined in the specific policy and related stress tests;
- Transposition of regulatory provisions on level II controls on performance monitoring;
- Reporting of loss events related to operational risk;
- Monitoring of market risk relating to the Bank's proprietary portfolio;
- Monitoring of interest rate risk exposure and related stress tests;
- Support to the General Management and to Planning and Management Control for the definition and verification of the objectives foreseen in the 3Year-Plan;
- Preparation of the NPL plan incorporated in the 3Year-Plan;
- Activities preparatory to the sale of NPLs to the system vehicle;
- Collaboration activities with other functions directly involved in the transposition of PSD2 regulations.

An additional resource was assigned to the Risk Management function in July. 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 Acts, 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.

The **Anti-Money Laundering Officer (AML Officer)** is the guarantor of all the activities established by the regulations in force concerning the prevention and contrast of money laundering, terrorism financing and proliferation of weapons of mass destruction. The AML Officer is responsible for the receipt of internal reports of suspicious transactions, their examination and transmission to FIA, if it considers them grounded. The AML Officer performs the analysis of the transactions carried out by the customers on his own initiative, researches and acquires the information and, if it deems that the anomalies detected are really referable to a suspicion, it transmits a report to FIA. He/she plays the role of interlocutor with FIA, promptly responds to the requests coming from it and represents the link between the Network and FIA.

He/she draws up an annual report on the activity carried out, including the control plan, and submits it to the Board of Directors for approval, subject to the favourable opinion of the Board of Statutory Auditors, he/she proposes an annual training plan for all the Banking Group's employees to the Anti-Money Laundering Committee, aimed at achieving a continuous updating of the Senior Management, employees and collaborators, according to the duties carried out, it analyses the "unexpected" transactions characterized by unusually high amounts and those on which there are doubts on the purposes for which they are concretely intended, takes care of forwarding the notifications on the violations of the rules on the restrictions on the use of cash and bearer securities to the FIA, on the inconsistency of the declaration of the beneficial owner, on the freezing of funds, the objective notifications. The AML Officer also receives the reports of the violations of the anti-money laundering "whistleblowing" regulations assuring all the employees, collaborators and corporate representatives the possibility to send a report and takes care of its transmission to the FIA. It does not allow the access to its archives to unauthorized persons and it is responsible for the confidentiality of the documents acquired and the reports received.

#### **AML Staff**

In order to perform his duties, the AML Officer makes use of the Staff Structure known as "AML". The AML (Anti Money Laundering) Staff ensures the performance of all the operational and control activities relating to the prevention of and the fight against money laundering and terrorist financing for the Bank and, where applicable (outsourcing), for the Subsidiaries. It represents the central functional reference point for AML reports received from the Network.

### **Risk management policies**

Concerning the overall management of the risks to which it is exposed, the Bank has defined the map of significant risks which constitutes the framework within which risk assessment, measurement, monitoring and mitigation activities are carried out. To this end, it has identified all the significant risks to which it is, or could be, exposed and which could jeopardise its operations, the pursuit of its strategies and the achievement of its 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 tools 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 risks), the Risk Committee met periodically to verify the level assumed by the risk indicators defined by the Board of Directors and to define any strategies for recovery in the event that limits were exceeded. If 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 infoprovider.

In addition, the Risk Management function is responsible for verifying compliance with the limit, defined in the Financial Portfolio Management Rules, for exchange rate risk. Monitoring concerns the level assumed by the open foreign exchange position.

## **Interest 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 2021, 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 (San Marino High School Student Association);
- Associazione Attiva Mente (Active Mind Association);
- Associazione Sorptimist Intenational San Marino (Sorptimist International San Marino Association);
- Colletta Alimentare (Food Drive).

## Significant events occurring after the end of the year

2022 sees the pandemic crisis in its last throes, with the relaxation of sanitation measures due to falling infection rates and the virus being less dangerous, resulting in no pressure on hospital admissions and intensive care

However, 2022 opens with a new emergency: the Russian–Ukrainian political crisis, which resulted in the outbreak of war between the two countries on February 24. Beyond the suffering and humanitarian crisis caused by the Russian invasion of Ukraine, the entire global economy will be affected by slower growth and faster inflation.

The impacts will flow through three main channels. One, rising prices of commodities such as food and energy, which will further increase inflation, in turn eroding the value of incomes and weighing on demand. Two, neighbouring economies in particular will face disrupted trade, supply chains and remittances, as well as a historic surge in refugee flows. And three, lower business confidence and greater investor uncertainty that will weigh on asset prices, tightening financial conditions and potentially spurring capital outflows from emerging markets.

Russia and Ukraine are major commodity producers and supply disruptions have caused global prices to soar, particularly for oil and natural gas. Food costs have risen; wheat, for which Ukraine and Russia are the largest global exporters (they hold 30% of world exports) has reached a record high.

With regard to the Russia–Ukraine war, it should be noted that San Marino transactions with Russia are limited: as noted by the rating agency Fitch<sup>8</sup> on the occasion of the confirmation of the sovereign rating of the Republic of San Marino BB+, stable outlook, the exports of San Marino to Russia, Ukraine and Belarus represent less than 1% of the total exports of goods.

If the conflict continues, we believe that the luxury and tourism sectors could be hardest hit. There have been no reverberations on banking activity at the moment, with the exception of the strong volatility seen in financial markets. In addition, in April 2022 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 also took an active part in the usual discussion with IMF representatives, with whom the need to improve profitability and efficiency through the development of new businesses was shared, particularly in insurance

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<sup>8</sup> Fitch Report 11 March 2022.



and sustainable finance (ESG), this presupposes an involvement first and foremost of the governmental structure and the Supervisory Authority so that they take action to adapt the reference regulations. Another topic of discussion was the cost structure and the need to intervene to reduce costs, given the high fixed costs of personnel and policy and compliance activities. Also, in this direction it is necessary to collaborate in order to find a shared system solution with the Government and Supervisory Organizations, as well as with the Trade Associations.



## Business outlook

In the current 2022 BAC has revised the 2022–2024 three-year Development Plan, which was definitively approved by the Board of Directors on 28/02/2022. The development guidelines that have been identified confirm the centrality of the companies belonging to the BAC group as creators of value through dedicated asset management, insurance and asset protection products, the growth of consultancy support to clients, the drive towards digitalisation, organisational efficiency and attention to ESG (environmental, social and governance) factors. The 2022–2024 three-year Development Plan provides for a return to economic equilibrium in subsequent years. All of the above corroborates the assumption of business continuity.

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We would like to express our heartfelt thanks to all the Bank's staff for their fruitful cooperation and commitment in carrying out their activities, in a year that proved to be difficult for the country, following the continuation of 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 comparisons and support provided. Last but not least, we would like to express our sincerest gratitude to our customers for the preference given to the services and products offered by the Bank.

## Proposal for approval of the financial statements and allocation of results for the year

Dear shareholders,

We submit the financial statements for the year ended as of 31 December 2021 for your approval, consisting of the Management Report, Balance Sheet, Profit and Loss Account and Explanatory Notes. We propose to approve the coverage of the loss for the year 2021 of € 2,522,804 through the use of the ordinary reserve.

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

NET EQUITY	31/12/2021
Share capital – subscribed and paid-up shares	20.880.080
Ordinary reserve fund	46.726.154
Extraordinary reserve fund	-
Share premium reserve fund	-
Reserve fund for own shares	14.378
Non-distributable reserve fund	126.612
Revaluation reserves	18.076.812
Losses carried forward	-
Result for the year	-
<b>Total</b>	<b>85.824.035</b>

There are 553 treasury shares held in the Bank's portfolio with a nominal value of €14,378 and they represent 0.07% of the subscribed capital.

San Marino, 03/05/2022

The Chairman of the Board of Directors



01 Corporate position



02 Shareholders' meeting



03 Report of the board of directors



04 Financial statements representation



05 Explanatory notes



06 Auditors' report



07 Independent auditors' report



08 Consolidated balance sheet

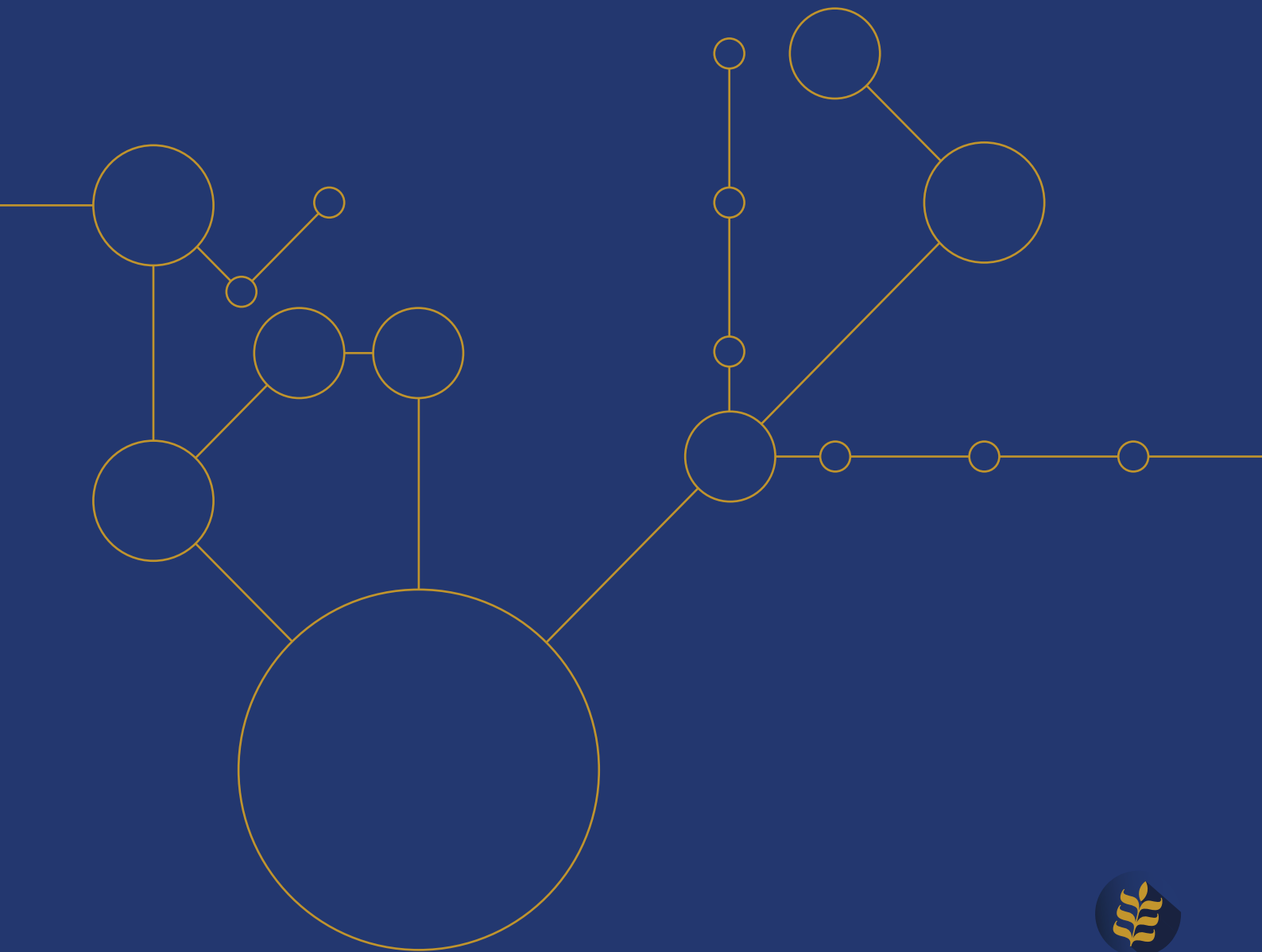
## Subjective and objective conditions

Pursuant to art. 6, paragraph 10, of Law no. 47 of 23/02/2006 and subsequent amendments and additions, all members of the Board of Directors of Banca Agricola Commerciale Istituto Bancario Sammarinese SpA declare, under their own responsibility, that they continue to meet the subjective and objective conditions required by law to hold the office of Chairman and Director.

San Marino, 03/05/2022

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## Financial statements representation



## Statement of assets and liabilities – Assets

CODE	ASSET ITEMS	2021	2020
10	Cash and cash equivalents with central banks and post offices	4.328.218	3.204.455
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	182.078.479	134.657.459
	a) At sight	155.100.534	100.328.735
	b) Other receivables	26.977.945	34.328.724
40	Loans to customers	282.530.214	305.250.799
	a) At sight	111.945.987	129.616.273
	b) Other receivables	170.584.227	175.634.526
50	Bonds and other debt financial instruments	65.795.804	83.750.772
	a) Public issuers	38.749.760	76.810.643
	b) Bank issuers	18.228.712	5.397.148
	c) Financial firms other than banks	1.018.771	-
	d) Other issuers	7.798.561	1.542.981
60	Shares, stocks and other capital financial instruments	44.876.038	26.915.723
70	Shareholdings	5.716.956	4.723.110
	a) Financial firms	5.048.869	4.059.242
	b) Non-financial businesses	668.087	663.868
80	Equity investments in group companies	7.839.372	7.714.561
	a) Financial firms	7.227.317	7.140.386
	b) Non-financial businesses	612.055	574.175
90	Intangible fixed assets	1.411.315	1.535.903
	a) Financial leasing	470.981	519.419
	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	940.334	1.016.484
100	Tangible fixed assets	164.850.784	165.555.848
	a) Financial leasing	58.739.716	65.711.117
	of which assets under construction	10.644.346	10.636.420
	b) Assets awaiting lease	2.611.997	2.229.101
	of which due to default by the tenant	2.611.997	2.229.101
	c) Assets available from debt collection	76.070.413	69.216.830
	of which assets available for credit extinction through a settlement agreement	76.070.413	69.216.830
	d) Lands and buildings	27.157.381	28.059.785
	e) Other tangible fixed assets	271.277	339.015
110	Capital subscribed and not paid-in	-	-
	of which called-up capital	-	-
120	Own shares or quotas	14.378	14.378
130	Other assets	125.547.851	129.920.008
140	Accrued income or prepaid expenses	246.935	304.212
	a) Accrued income	68.324	101.096
	b) Prepaid expenses	178.611	203.116
150	<b>Total assets</b>	<b>885.236.344</b>	<b>863.547.228</b>

## Statement of assets and liabilities - Liabilities

CODE	LIABILITIES ITEMS	2021	2020
<b>10</b>	Amounts due to banks	1.228.033	1.189.695
	a) At sight	1.228.033	1.189.695
	b) Termor without notice	-	-
<b>20</b>	Amount due to customers	512.022.575	473.389.996
	a) At sight	468.476.402	435.812.911
	b) Term or without notice	43.546.173	37.577.085
<b>30</b>	Payables represented by financial instruments	195.251.102	207.233.579
	a) Bonds	-	-
	b) Certificates of deposit	195.251.102	207.233.579
	c) Other financial instruments	-	-
<b>40</b>	Other liabilities	86.833.489	89.384.428
	of which checks in circulation and similar securities	687.867	929.136
<b>50</b>	Accrued expenses and deferred income	148.747	162.100
	a) Accrued expenses	715	1.289
	b) Deferred income	148.032	160.811
<b>60</b>	Severance	516.480	522.895
<b>70</b>	Reserves for risks and charges	1.010.894	932.477
	a) Provisions for pensions and similar obligations	-	-
	b) Tax reserves	13.803	13.803
	c) Other reserves	997.091	918.674
<b>80</b>	Provisions for credit risks	-	-
<b>90</b>	Provision for general financial risks	-	-
<b>100</b>	Subordinate liabilities	2.400.988	2.400.988
<b>110</b>	Subscribed capital	20.880.080	20.880.080
<b>120</b>	Share premium reserve	-	-
<b>130</b>	Reserves	49.389.948	50.888.362
	a) Ordinary or legal reserve	49.248.958	50.873.984
	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	126.612	-
<b>140</b>	Revaluation reserves	18.076.812	18.061.042
<b>150</b>	Retained earnings (losses) carried forward	-	-1.656.680
<b>160</b>	Profit (loss) for the year	-2.522.804	158.266
<b>170</b>	<b>Total liabilities</b>	<b>885.236.344</b>	<b>863.547.228</b>

## Guarantees and commitments

CODE	ITEMS	2021	2020
<b>10</b>	<b>Guarantees given</b>	<b>9.525.640</b>	<b>11.665.947</b>
	a) Acceptances	48.948	121.667
	b) Other guarantees	9.476.692	11.544.280
<b>20</b>	<b>Commitments</b>	<b>17.984.294</b>	<b>5.768.898</b>
	a) For specific use	14.503.935	-
	of which financial instruments	-	-
	b) For unspecific use	2.170.497	3.592.068
	of which financial instruments	-	-
	c) Other commitments	1.309.862	2.176.830
	<b>Total</b>	<b>27.509.934</b>	<b>17.434.845</b>



## Profit and loss account

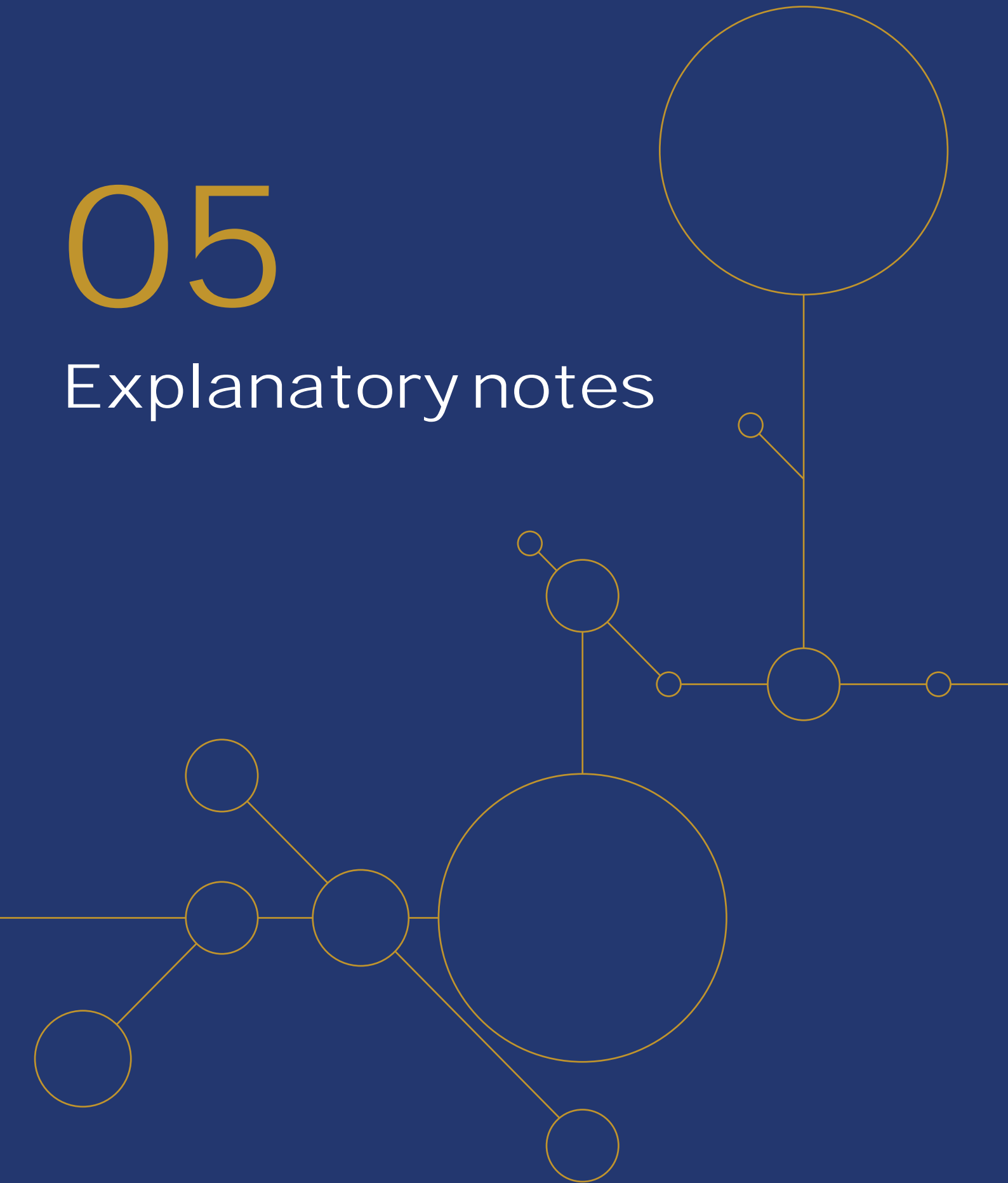
CODE	PROFIT AND LOSS ACCOUNT ITEMS	2021	2020
<b>10</b>	Interest income and similar revenues	11.547.553	12.979.245
	a) On loans to banks	-132.267	-4.747
	b) On loans to customers	10.670.992	12.067.495
	c) On debt securities	1.008.828	916.497
<b>20</b>	Interest expense and similar charges	2.792.654	3.021.441
	a) On amounts due to banks	5.027	3.072
	b) On amounts due to customers	664.275	694.684
	c) On debts represented by financial instruments	2.123.352	2.323.685
	of which on subordinate liabilities	71.850	16.852
<b>30</b>	Dividends and other revenues	1.494.642	1.157.687
	a) On stocks, quotas and other equity securities	920.000	-
	b) On shares	-	150.000
	c) On group company shares	574.642	1.007.687
<b>40</b>	Commission income	6.391.980	5.917.438
<b>50</b>	Commission expense	1.375.554	1.180.512
<b>60</b>	Profits (losses) on financial transactions (+/-)	-1.301.462	1.634.377
<b>70</b>	Other operating income	11.566.339	10.517.994
<b>80</b>	Other overhead costs	-	-
<b>90</b>	Administrative expenses	12.421.411	13.142.011
	a) Personnel expenses	8.008.517	8.262.596
	of which:		
	• Salaries and wages	5.714.782	5.952.904
	• Welfare contributions	1.551.661	1.598.640
	• Severance	509.472	531.772
	• Pensions and similar obligations	-	-
	• Directors and advisors	193.740	158.751
	• Other personnel costs	38.862	20.529
	Other administrative expenses	4.412.894	4.879.415
<b>100</b>	Value adjustments on Intangible fixed assets	197.484	236.426
<b>110</b>	Value adjustments on tangible fixed assets	11.302.337	12.063.062
<b>120</b>	Provisions for risks and charges	70.225	31.660
<b>130</b>	Provisions for credit risks	-	-
<b>140</b>	Value adjustments on loans and on provisions for guarantees and commitments	9.567.017	7.959.000
<b>150</b>	Write-backs on loans and provisions for guarantees and commitments	5.027.418	2.064.973
<b>160</b>	Value adjustments on financial fixed assets	611.422	-
<b>170</b>	Write-backs on financial fixed assets	-	-
<b>180</b>	<b>Profit (loss) from ordinary activities</b>	<b>-3.611.634</b>	<b>-3.362.398</b>
<b>190</b>	Extraordinary income	1.310.218	3.735.292
<b>200</b>	Extraordinary expenses	221.388	214.628
<b>210</b>	<b>Extraordinary profit (loss)</b>	<b>1.088.830</b>	<b>158.266</b>
<b>220</b>	Taxes for the year	-	-
<b>230</b>	Change in the provision for general financial risks	-	-
<b>240</b>	<b>Profit (loss) for the year</b>	<b>-2.522.804</b>	<b>158.266</b>

## Cash-flow statement (amounts in euro)

FUNDS GENERATED AND DEPOSITED	31/12/2021	31/12/2020	FUNDS USED AND INVESTED	31/12/2021	31/12/2020
<b>Funds generated by management</b>	<b>19.773.228</b>	<b>21.006.167</b>	<b>Value recovery and use of funds generated by management</b>	<b>5.573.189</b>	<b>2.808.315</b>
Profit (loss) for the year	(2.522.804)	158.266	Use of provision for pension	-	-
Allocation to the pension fund	-	-	Use of provision for severance	522.895	521.006
Severance	516.480	540.957	Use of provisions for credit risk	-	-
Provision for credit risks	-	-	Use of provisions for risks and charges	22.877	222.336
Provisions for risks and charges	101.294	48.456	Decreases in the provision for bad debts	5.027.418	2.064.973
Increases in the provision for bad debts	10.178.439	7.959.000			
Value adjustments on tangible and intangible fixed assets	11.499.820	12.299.489			
<b>Increase in funds deposited</b>	<b>38.670.917</b>	<b>55.563.813</b>	<b>Increase in funds invested</b>	<b>78.293.925</b>	<b>78.497.762</b>
Amount due to banks	38.338	-	Cash and other values	1.123.763	-
Amount due to customers	38.632.579	55.496.447	Loans to banks	47.421.021	27.517.075
Payables represented by financial instruments	-	-	Loans to customers	-	-
Other liabilities	-	-	Bonds and other debt securities	-	38.204.839
Accrued liabilities and deferred income	-	67.366	Shares, stocks and other equity securities	17.960.315	6.702.747
Subordinated liabilities	-	-	Shareholdings	124.811	-
			Equity investments in group companies	993.846	4.421
			Tangible and intangible fixed assets	10.670.168	6.068.681
			Other activities	-	-
			Subscribed capital not paid-in	-	-
			Accrued income and prepaid expenses	-	-
<b>Decrease in funds invested</b>	<b>39.953.970</b>	<b>53.920.330</b>	<b>Decrease in funds deposited</b>	<b>14.546.770</b>	<b>52.409.789</b>
Cash and other values	-	4.209.205	Amounts due to banks	-	64.516
Loans to banks	-	-	Amounts due to customers	-	-
Loans to customers	17.569.564	40.479.258	Payables represented by financial instruments	11.982.477	27.990.996
Bonds and other debt securities	17.954.968	-	Other liabilities	2.550.938	22.750.099
Shares, stocks and other equity securities	-	-	Accrued liabilities and deferred income	13.355	-
Shareholdings	-	-	Subordinated liabilities	1	1.604.178
Equity investments in group companies	-	372.031			
Tangible and intangible fixed assets	-	-			
Other activities	4.372.158	8.816.784			
Subscribed capital not paid-in	-	-			
Accrued income and prepaid expenses	57.280	43.052			
<b>Changes in shareholders' equity</b>	<b>15.770</b>	<b>3.225.557</b>	<b>Changes in shareholders' equity</b>	<b>-</b>	<b>-</b>
Increase "other reserves"	15.770	3.225.557			
Capital payment	-	-			
<b>Total funds generated and deposited</b>	<b>98.413.885</b>	<b>133.715.866</b>	<b>Total funds used and invested</b>	<b>98.413.885</b>	<b>133.715.866</b>

# 05

## Explanatory notes



## **Explanatory notes to the 2021 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 2021 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 caption 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 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 of an equity nature, such as equities and units in UCIs. They are valued at the monthly average market price (mid-price) recorded at the end of the period, even if included in the investment portfolio.

## **Shareholdings (asset items no. 70 and 80)**

Investments in subsidiaries that constitute financial fixed assets because they are held for the purpose of long-term investment are valued by the equity method.

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. 90 and 100)**

The amount of assets given under (and those awaiting) finance lease is recorded under asset item 90 "Intangible fixed assets", if the asset is intangible or 100 "Tangible fixed assets", if the asset is tangible.

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 the end of the financial year, the cost item used is included under item 100 "Value adjustments on intangible fixed assets" or under item 110 "Value adjustments on tangible fixed assets", depending on the nature of the asset leased.

### **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 are intended to cover exclusively losses, charges or payables of a given nature, whose existence is probable or certain, but whose amount or date of occurrence could not be determined at the end of the financial year.

These funds consist of:

- the tax provision, consisting of provisions made for current direct taxes. These represent a reasonable forecast of the tax charge for the period calculated on the basis of current tax legislation.
- The charity fund and religious and cultural initiatives.
- The provision for passive causes;
- The unused holiday fund;
- the fund for contractual rises in employee wages in view of the gap between contracts existing since 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 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.



## 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	31/12/2021	31/12/2020	CHANGE	
			Amount	%
Cash and cash equivalents:				
Vault cash	3.317.537	1.536.547	1.780.990	115,91%
Foreign currency vault	129.152	938.720	-809.568	-86,24%
ATM	639.100	402.120	236.980	58,93%
Cheques in € / currency	205.873	296.237	-90.364	-30,50%
Other values	36.556	30.831	5.725	18,57%
<b>Totale</b>	<b>4.328.218</b>	<b>3.204.455</b>	<b>1.123.763</b>	<b>35,07%</b>

#### 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	31/12/2021			31/12/2020			CHANGE	
	In euro	In foreign currency	Total	In euro	In foreign currency	Total	Amount	%
<b>A) At sight</b>	146.376.443	8.724.091	155.100.534	91.468.408	8.860.327	100.328.735	54.771.799	54,59%
<b>A1. Reciprocal accounts opened for services rendered</b>	140.567.090	–	140.567.090	88.843.240	–	88.843.240	51.723.850	58,22%
<b>A2. Active current accounts</b>	5.809.353	8.724.091	14.533.444	2.625.168	8.860.327	11.485.495	3.047.949	26,54%
<b>A3. Others</b>	–	–	–	–	–	–	–	–
<b>B) Other receivables:</b>	26.977.945	–	26.977.945	34.328.724	–	34.328.724	-7.350.779	-21,41%
<b>B1. Fixed deposits</b>	24.827.018	–	24.827.018	32.177.796	–	32.177.796	-7.350.778	-22,84%
<b>B2. Active current accounts</b>	–	–	–	–	–	–	–	–
<b>B3. Repurchase agreement and active carryovers</b>	–	–	–	–	–	–	–	–
<b>B4. Others</b>	2.150.927	–	2.150.927	2.150.928	–	2.150.928	-1	–
<b>Total</b>			<b>182.078.479</b>			<b>134.657.459</b>	<b>47.421.020</b>	<b>35,22%</b>

The composition of amounts due from banks shows an increase in sight deposits on reciprocal accounts opened for services rendered for €51,723,850 and on current accounts receivable for €3,047,949, while the composition of other amounts due from banks decreased by €7,350,779. The changes are affected on the one hand by the increase in total direct funding volumes and on the other by the decrease in lending volumes. BAC constantly monitored liquidity, through a targeted management and monitoring of liquidity risk, maintaining the necessary buffers to cope with possible stresses following 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. Item “B1 Time deposits” includes the term deposit for the Compulsory Reserve with BCSM amounting to € 24,687,346, established by Decree no. 162 of 3 December 2009, whose contribution percentage was reduced from 5% to 3.50% from May 2021 under CBSM Prot.21/2021; finally, item “B4 Others” includes other term deposits with the Supervisory Authority.

**Table 3.2 – Situations of cash loans to credit institutions**

CATEGORIES / VALUES	31/12/2021			31/12/2020		
	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	182.078.479	-	182.078.479	134.657.459	-	134.657.459
of which deriving from financial leasing transactions	-	-	-	-	-	-
<b>Total</b>						
of which total financial leasing transactions	182.078.479	-	182.078.479	134.657.459	-	134.657.459

**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	31/12/2021	31/12/2020
At sight	155.100.534	100.328.735
Up to 3 months	2.160.928	2.160.928
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	24.817.017	32.167.796
<b>Total</b>	<b>182.078.479</b>	<b>134.657.459</b>

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	31/12/2021			31/12/2020			CHANGE	
	In euro	In foreign currency	Total	In euro	In foreign currency	Total	Amount	%
<b>A) At sight / revocation</b>	111.246.482	699.505	111.945.987	128.820.797	795.476	129.616.273	-17.670.286	-13,63%
<b>A1. Active current accounts</b>	16.464.261	5.006	16.469.267	23.763.234	137	23.763.371	-7.294.104	-30,69%
<b>A2. Others</b>	94.782.221	694.499	95.476.720	105.057.563	795.339	105.852.902	-10.376.182	-9,80%
<b>B) Other credits</b>	170.584.227	-	170.584.227	175.634.526	-	175.634.526	-5.050.299	-2,88%
<b>B1. Active current accounts</b>	4.193.054	-	4.193.054	4.389.399	-	4.389.399	-196.345	-4,47%
<b>B2. Discounted wallet and subject to collection</b>	3.267.016	-	3.267.016	2.566.060	-	2.566.060	700.956	27,32%
<b>B3. Repurchasing agreements and active carryovers</b>	-	-	-	-	-	-	-	-
<b>B4. Other financing</b>	163.124.157	-	163.124.157	168.679.067	-	168.679.067	-5.554.910	-3,29%
<b>Total</b>	<b>281.830.709</b>	<b>699.505</b>	<b>282.530.214</b>	<b>304.455.323</b>	<b>795.476</b>	<b>305.250.799</b>	<b>-22.720.585</b>	<b>-7,44%</b>

The loans outlined above are presented at their expected sale value, i.e., net of analytical and arbitrary write-downs made by the bank according to their classification.

**Table 4.2 – Guaranteed loans to customers**

DESCRIPTION	31/12/2021		31/12/2020		CHANGE	
	In Euro	In foreign currency	In Euro	In foreign currency	Amount	%
<b>A) From mortgages</b>	103.988.429	-	98.298.003	-	5.690.426	5,79%
<b>B) From pledge on</b>	6.274.838	-	8.136.193	-	-1.861.355	-22,88%
<b>B1. Cash deposits</b>	1.923.618	-	2.693.568	-	-769.950	-28,58%
<b>B2. Securities</b>	589.941	-	679.790	-	-89.849	-13,22%
<b>B3. Other values</b>	3.761.279	-	4.762.835	-	-1.001.556	-21,03%
<b>C) From guarantees of</b>	165.592.463	-	187.910.137	-	-22.317.674	-11,88%
<b>C1. Public administrations</b>	39.655.873	-	42.024.684	-	-2.368.811	-5,64%
<b>C2. Monetary financial institutions</b>	3.273.118	-	3.333.479	-	-60.361	-1,81%
<b>C3. Investment funds other than money market funds</b>	-	-	-	-	-	-
<b>C4. Other financial institutions</b>	-	-	-	-	-	-
<b>C5. Insurance companies</b>	-	-	-	-	-	-
<b>C6. Pension funds</b>	-	-	-	-	-	-
<b>C7. Non-financial corporations</b>	107.642.406	-	123.837.145	-	-16.194.739	-13,08%
<b>C8. Families and non-profit institutions serving families</b>	12.544.844	-	15.940.410	-	-3.395.566	-21,30%
<b>C8.1. Consumer and producer families</b>	12.544.844	-	15.940.410	-	-3.395.566	-21,30%
<b>C8.2. Non-profit institutions serving families</b>	-	-	-	-	-	-
<b>C9 Others</b>	2.476.222	-	2.774.419	-	-298.197	-10,75%
<b>Total</b>	<b>275.855.730</b>	<b>-</b>	<b>294.344.333</b>	<b>-</b>	<b>-18.488.603</b>	<b>-6,28%</b>

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 80.11% of the overall net loans expressed in Table 4.3 below; moreover, 32.02% is backed by real guarantees (pledge + mortgage).

**Table 4.3 – Situation of cash loans to customers**

CATEGORIES / VALUES	31/12/2021			31/12/2020		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
<b>A) Doubtful loans</b>	142.636.408	67.165.867	75.470.541	160.711.729	78.520.657	82.191.072
of which deriving from financial leasing transactions	14.556.912	4.077.272	10.479.640	17.092.779	5.080.692	12.012.087
<b>A1. Non-performing loans</b>	95.072.743	54.349.233	40.723.510	104.528.850	62.925.993	41.602.857
of which deriving from financial leasing transactions	8.327.801	3.788.168	4.539.633	9.324.106	4.286.821	5.037.285
<b>A2. Substandard loans</b>	21.628.565	2.475.181	19.153.384	26.109.508	4.681.104	21.428.404
of which deriving from financial leasing transactions	5.655.330	283.169	5.372.161	7.117.247	784.570	6.332.677
<b>A3. Restructured loans</b>	25.837.341	10.336.567	15.500.774	29.901.891	10.904.990	18.996.901
of which deriving from financial leasing transactions	568.835	5.688	563.147	581.770	5.818	575.952
<b>A4. Past due / overdue loans</b>	97.714	4.886	92.828	171.387	8.569	162.818
of which deriving from financial leasing transactions	4.946	247	4.699	69.656	3.483	66.173
<b>A5. Unsecured loans to at "risk countries"</b>	45	-	45	93	1	92
<b>B) Performing loans</b>	272.277.851	3.395.484	268.882.367	295.415.407	3.896.043	291.519.364
of which deriving from financial leasing transactions	56.742.042	2.208.114	54.533.928	61.636.031	2.310.630	59.325.401
<b>Total</b>	<b>414.914.259</b>	<b>70.561.351</b>	<b>344.352.908</b>	<b>456.127.136</b>	<b>82.416.700</b>	<b>373.710.436</b>
of which total financial leasing transactions	71.298.954	6.285.386	65.013.568	78.728.810	7.391.322	71.337.488

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 made up of two main elements: loans associated with overdue and unpaid instalments, included in the balance of the items in table 4.1, and the residual principal debt which, although attributable to the underlying non-performing item, remains recorded in the financial statements, in accordance with Law No. 115 of 19/11/2001, under the item "assets awaiting lease termination". As regards "non-performing loans", "substandard loans", "restructured loans" and "past-due accounts/debts in excess of 0.5% of regulatory capital", the presumed impairment losses were calculated analytically, based on the quality of the individual debtors, i.e. their ability to meet their obligations, based on the information available on their financial position

and results of operations. Any real and personal guarantees acquired were also taken into account in determining the presumed loss of value. For other types of loans, as specified in the valuation criteria (see Performing Loans), an arbitrary write-down was calculated based on statistical observation of the time series from March 2016 to December 2021 of the transitions of positions, in numerical and nominal terms, from the Performing portfolio to the non-performing portfolio (transition matrices), as well as the transitions to loss 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
<b>A) Initial gross exposure</b>	104.528.850	26.109.508	29.901.891	171.387	93
of which interest on arrears	1.624.352	598.521	-	-	-
<b>B) Increases</b>	15.292.761	27.593.511	36.734.409	636.030	23.766
<b>B1. Income from performing loans</b>	-	1.735.674	4.542.852	70.537	-
<b>B2. Income from other categories of doubtful loans</b>	11.215.498	7.630.845	-	495	-
<b>B3. Interest on arrears</b>	59.648	388.080	2.191	83	-
<b>B4. Other increases</b>	4.017.615	17.838.912	32.189.366	564.915	23.766
<b>C) Decreases</b>	24.748.868	32.074.454	40.798.959	709.703	23.814
<b>C1. Expenditure on performing loans</b>	46.151	28.997	-	49.181	-
<b>C2. Expenditure on other categories of doubtful loans</b>	-	11.215.843	7.582.937	43.840	146
<b>C3. Cancellations</b>	11.812.323	11.436	-	-	-
<b>C4. Collections</b>	6.276.676	12.297.662	21.283.950	608.243	23.668
<b>C5. Income from sales</b>	-	-	-	-	-
<b>C6. Other decreases</b>	6.613.718	8.520.516	11.932.072	8.439	-
<b>D) Final gross exposure as of 31/12/21</b>	95.072.743	21.628.565	25.837.341	97.714	45
of which interest on arrears	1.512.742	140.185	-	-	-

Strict monitoring of loans to customers and the consequent checks on their classification continued; specifically, there was a significant decrease in all categories of impaired loans.

The management of impaired loans produced:

- collections on non-performing loans for €6,276,676 and €12,297,662 on impaired positions;
- write-offs for €11,812,323 on bad debts and €11,436 on impaired loans.

In 2021, there was a significant decrease in gross impaired loans for € 18,075,320, in addition to a corresponding decrease in net impaired loans, which decreased by € 6,720,531, -8.18% compared to last year. Impaired loans included the reclassification of tangible fixed assets subject to early termination of leasing contracts due to non-performance by the creditor. We specify that the amount of these fixed assets is equal to euro 2,611,997 and their movements are shown in the related table below.

Impaired positions show a coverage ratio of 47.09%, in line with the previous year (48.86%), as detailed in Table 4.5 below.

We repeat what has already been specified in the previous financial years (2019–2020) in relation to the circumstance represented by the start in 2016, by the Supervisory Authority, of the Review and mapping process of the Asset Quality Review of the banking system; the adjustments on loans indicated by the same Authority on the basis of the statistical exercise of the Asset Quality Review as of 30/06/2017, according to San Marino criteria, amounted to €53.5 million.

In the financial statements for the years ended as of 31/12/2017 and 31/12/2018, BAC had accounted for adjustments of €10.9 million, and then, in the financial statements for the year ended as of 31/12/2019, upon completion of the total adjustments indicated above, proceeded to record additional analytical adjustments of €24.727 million and lump-sum adjustments of €17.858 million, the latter of which were allocated analytically during 2020.

The table below shows the development of the final total 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
<b>Total AQR adjustments according to San Marino criteria</b>	<b>53,500</b>	<b>10,915</b>	<b>42,585</b>	<b>53,500</b>	<b>53,500</b>
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 provided for in 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 in the 2021 financial statements the third tenth amounting to € 4.582 million was recorded in the profit and loss account.



**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
<b>A) Initial overall adjustments</b>	62.925.993	4.681.104	10.904.990	8.569	1	3.896.043
<b>B) Increases</b>	7.557.408	1.662.066	243.776	3.655	–	256.414
<b>B1. Value adjustments</b>	4.332.100	842.430	213.679	3.138	–	234.823
of which interest on arrears	59.648	–	–	–	–	–
<b>B2. Use of provisions for credit risk</b>	–	–	–	–	–	–
<b>B3. Transfers from other credit categories</b>	2.689.313	819.636	30.097	517	–	21.591
<b>B4. Other increases</b>	535.995	–	–	–	–	–
<b>C) Decreases</b>	16.134.168	3.867.989	812.199	7.338	–	756.973
<b>C1. Value recoveries on valuations</b>	778.794	211.604	7.329	2.809	–	712.399
of which interest on arrears	–	–	–	–	–	–
<b>C2. Value recoveries from collection</b>	2.948.311	366.172	–	–	–	–
of which interest on arrears	–	–	–	–	–	–
<b>C3. Cancellations</b>	11.812.293	11.436	–	–	–	–
<b>C4. Transfers to other credit categories</b>	15.000	2.692.382	804.870	4.529	–	44.574
<b>C5. Other decreases</b>	579.770	586.395	–	–	–	–
<b>D) Final overall adjustments as of 31/12/21</b>	54.349.233	2.475.181	10.336.567	4.886	1	3.395.484
of which interest on arrears	1.510.966	–	–	–	–	–

The trend in value adjustments shows the Bank's commitment to continue to monitor and hedge impaired loans; the adjustment provision of €70,560,351, fed by movements during the year (provisions, revaluations and utilisations), attests to total coverage of 17.01% of gross loans, of which 1.25% on performing loans, 5% on past due and overdue loans, 40.01% on restructured loans, 11.44% on substandard loans and 57.17% on non-performing loans.

As already described in the valuation criteria, non-performing, impaired and restructured positions have been analytically evaluated in terms of recovery potential. For past due and/or overdue loans, an analytical valuation has been performed on positions exceeding 0.5% of Regulatory Capital, and a lump-sum valuation was carried out for lower amounts, with expected loss percentages higher than those estimated for performing loans. This practice is pursued on condition that the aggregate subjected to flat-rate valuation does not exceed 5% of Regulatory Capital, otherwise all exposures are assessed on a case-by-case basis. For doubtful loans to at-risk countries, a flat-rate valuation was carried out equal to that calculated for performing loans, given the small size of the exposure. For performing loans, a flat-rate valuation was carried out by applying the average percentage of the estimated expected loss on the Bank's loan portfolio, observed over a time horizon of 5.5 years, and broken down by sector: – Government and Public

Administration, – Financial companies, – non-financial companies, – Private individuals, – Others. In particular, a transition matrix was constructed for each type of counterparty and then the relative PD (probability of default) was determined and the average LGD (loss given default) of the bank was measured, again on the basis of the observation of data over the time period mentioned.

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

MATURITY	31/12/2021	31/12/2020
At sight	70.006.298	66.693.374
Up to 3 months	22.774.720	20.717.355
From over 3 months to 6 months	12.077.723	10.571.960
From over 6 months to 1 year	15.735.861	15.682.295
From over 1 year to 18 months	13.472.237	14.174.544
From over 18 months to 2 years	13.475.677	15.540.346
From over 2 years to 5 years	62.806.623	68.692.772
Over 5 years	90.494.479	114.088.638
Maturity not attributed	43.509.290	47.549.152
<b>Total</b>	<b>344.352.908</b>	<b>373.710.436</b>

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.

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

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			Amount	%
Public administrations	8.616.839	11.401.257	-2.784.418	-24,42%
Financial companies other than credit institutions	9.272.574	9.951.466	-678.892	-6,82%
• Monetary financial institutions	1.027.239	-	1.027.239	100,00%
• Investment funds other than monetary market funds	873.644	1.180.911	-307.267	-26,02%
• Other financial institutions	7.301.116	8.648.190	-1.347.074	-15,58%
• Insurance companies	70.575	122.365	-51.790	-42,32%
• Pension funds	-	-	-	-
Non-financial companies	221.710.637	238.523.931	-16.813.294	-7,05%
of which subjects canceled from the register of authorized subjects	173.011	58.874	114.137	193,87%
• Industry	97.049.880	104.706.289	-7.656.409	-7,31%
• Construction	18.045.848	15.344.649	2.701.199	17,60%
• Services	105.770.283	113.769.405	-7.999.122	-7,03%
• Other non-financial companies	844.626	4.703.588	-3.858.962	-82,04%
Families and non-profit institutions serving families	104.752.858	113.833.782	-9.080.924	-7,98%
• Consumer and producer families	104.210.652	113.629.651	-9.418.999	-8,29%
• Non-profit institutions serving families	542.206	204.131	338.075	165,62%
Other	-	-	-	-
<b>Total</b>	<b>344.352.908</b>	<b>373.710.436</b>	<b>-29.357.528</b>	<b>-7,86%</b>

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

	Granted	Used
Auditors	53.004	19.171
Directors	145.272	126.449
Management	-	-
<b>Total</b>	<b>198.276</b>	<b>145.620</b>

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	31/12/2021	
	Fixed assets	Non fixed assets
Bonds and other debt financial instruments:	40.237.274	25.558.530
a) of public issuers	17.772.686	20.977.074
b) credit institutions	15.652.344	2.576.368
of which subordinated	4.251.819	–
c) of financial enterprises other than credit institutions	1.018.771	–
d) of other issuers	5.793.473	2.005.088
Shares, stocks and other capital financial instruments	7.442.554	37.433.484
a) Loan management shield	–	3.343.191
b) Green arrow private debt fund (formerly TCO)	7.442.554	–
c) Fondo Odisseo	"	10.516.268
e) Other equity securities	–	14.987.090
e) Other funds	–	8.586.935
Of which unavailable for reverse repurchase agreements	23.630.325	–
<b>Total</b>	<b>47.679.828</b>	<b>62.992.014</b>

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 Green Arrow Private Debt Fund assigned to us following the liquidation of the Tower Credit Opportunities PLC Fund. For the previous TCO Fund, initially dedicated to supporting the growth of Italian SMEs, financing investment programmes, extraordinary finance transactions and interventions to support the financial structure, a request for liquidation was formalised to the fund manager in March 2021. At the end of the liquidation procedure, the fund was extinguished and the

units of the underlying “Green Arrow Private Debt Fund” were assigned to BAC, in addition to the recognition of the remaining liquid assets. It should be noted that starting from the financial statements as of 31/12/2021, in accordance with the provisions of CBSM Regulation 2022/01 amending Regulation 2016/02, the UCITs in the investment portfolio are valued at Net Asset Value (market value).

The item “shares, quotas and other equity financial instruments” is made up of the following in the case of dealing securities:

- From the shares of the Loan Management fund deriving from the contribution of loans from the compulsory administrative liquidation of Credito Sammarinese Spa, as a result of the agreement reached between the banks participating in 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 31/12/2021, is equal to € 3,343,191; following the provision of Law 223 of 23/12/2020 art.7 which limited the maximum amount of the benefits of the aforementioned decree, BAC has definitively recorded a capital loss of €4,623 in the Profit and Loss Account; while the changes in NAV recorded in previous years have been reclassified under “Other assets” in the account “temporary differences of the Loan Management fund units”, as per the instructions of the Supervisory Authority with letter Prot.14/2288 of 13/03/2014, the balance of which is €7,550,186 as a tax credit.
- From the Fondo Odisseo shares acquired in 2019, as a result of the sale of legal relations in bulk of Protected Collection and Employment of Banca Nazionale Sammarinese (formerly Credito Industriale Sammarinese) subject to bank resolution pursuant to Law no.102 of 14 June 2019, the finalization of which took place through two closings, the first of which was finalized on 16/09/2019 whereby BAC took over Protected Relationships for €25,452,429, against 122 units of the Fondo Odisseo totaling €12,209,728. The Fund was adjusted to the NAV (Net Asset Value) as of 31/12/2021, writing it down for €140,872 and recording as a balancing entry a receivable from the SNB (now SGA spa), in accordance with the dotting agreement signed at the time, given the regulatory change introduced with the aforementioned Law 223/2020; while the capital losses referred to 31/12/2019 (€1.412,953) and 31/12/2020 (€139,635), for an overall total of €1,522,588, are recorded under “Other assets” as a tax credit, pursuant to Decree Law no. 72 of 27 June 2013.
- From units of collective investment funds listed on regulated markets.
- From structured products linked to stock market indices, in view of the current interest rate scenario; these structured products have become the best alternative to optimise and diversify the profitability of one’s own portfolios, with the opportunity to select financial instruments with specific characteristics (in terms of risk, maturity, underlyings, yield, etc.) that best suit one’s own risk/return profile.

**Table 5.2 – Breakdown of “Investment financial instruments”**

ITEMS / VALUES	31/12/2021			31/12/2020		
	Purchase price	Book value	Fair Value	purchase price	Book value	Fair Value
<b>1. Financial debt instruments</b>	40.071.550	40.237.274	39.625.644	21.882.348	22.002.461	22.706.670
<b>1.1 Bonds</b>	40.071.550	40.237.274	39.625.644	21.882.348	22.002.461	22.706.670
• Listed	34.223.481	34.343.364	33.890.403	16.838.788	16.935.130	17.783.384
• Not listed	5.848.069	5.893.910	5.735.241	5.043.560	5.067.331	4.923.286
<b>1.2 Other financial debt instruments</b>	-	-	-	-	-	-
• Listed	-	-	-	-	-	-
• Not listed	-	-	-	-	-	-
<b>2. Equity financial instruments</b>	8.588.475	7.442.554	7.442.554	7.900.392	7.900.392	7.046.756
• Listed	-	-	-	-	-	-
• Not listed	8.588.475	7.442.554	7.442.554	7.900.392	7.900.392	7.046.756
<b>Total</b>	<b>48.660.025</b>	<b>47.679.828</b>	<b>47.068.198</b>	<b>29.782.740</b>	<b>29.902.853</b>	<b>29.753.426</b>

We point out that the differences between the book value and the fair value can be attributed, as for €159,160, to the recording of the difference between fixed assets and accruals, as provided for by the regulations and specified in the valuation criteria, and as for €452,470, to the differences compared to the market quotations recorded on the institutional markets due to the persistent volatility of the bond markets. These differences, since they refer to investments that, due to their nature, will be brought to maturity, will be cancelled from the redemption value and therefore are not to be considered as permanent impairment losses.

**Table 5.3 – Annual changes in investment financial instruments**

DESCRIPTION	31/12/2021	31/12/2020
Opening balance	29.902.853	42.515.726
Increases	55.385.113	28.028.754
1. Purchases	54.312.034	6.103.555
of which debt financial instruments	53.623.951	4.327.411
2. Value recoveries	–	–
3. Transfers from the investment portfolio	383.485	21.813.183
4. Other increases	689.594	112.016
Decreases	37.608.138	40.641.627
1. Sales	30.215.473	–
of which debt financial instruments	30.215.473	–
2. Refunds	–	–
3. Value adjustments	1.145.922	–
of which lasting devaluations	1.145.922	–
4. Transfers to the investment portfolio	5.996.431	40.382.959
5. Other decreases	250.312	258.668
<b>Closing balance</b>	<b>47.679.828</b>	<b>29.902.853</b>

Increases for purchases include:

- subscriptions for the last two tranches of the Tower Credit Opportunities fund, for which the request for liquidation of the Tower Credit Opportunities fund in March 2021 was signed. Upon completion of the liquidation process, the indicated fund was terminated and the units of the underlying fund “Green Arrow Private Debt Fund” were allocated to BAC.
- the purchase of private, bank, financial and government bonds for a total nominal amount of €26,800,000;
- the purchase of a government bond of the Republic of San Marino for €400,000 and the transfer of a further tranche for a nominal value of €396,000 from the free portfolio;
- the acquisition of listed subordinated bonds issued by leading foreign banks and corporates for a nominal value of €24,451,000.

The decreases include, as detailed above:

- sale of the subordinated loans described above for a nominal value of €20,451,000, recorded in the financial statements for €21,584,856, as resolved by the Board of Directors on 17 June 2021 and on the basis of the reasons given therein; the transaction generated extraordinary charges for the sale of €24,806.
- Moreover, in consideration of the exceptional situation created by the health emergency from COVID-19, the Supervisory Authority allowed,

with Prot.20/13417 of 22/12/2020, the Supervisory Authority allowed the transfer of financial instruments from the investment securities portfolio to the free portfolio or the sale on the market of securities held as of 31/12/2020 by 30/06/2021, following the persistent uncertainties of the future prospects of the financial system; therefore, in the first half of 2021, further investment securities for a nominal €14.118,000, recorded in the financial statements for €14,175,684, of which a nominal €6,000,000 recorded in the financial statements for €5,994,927 previously transferred to the free portfolio. The operation generated extraordinary income for €627,574.

This possibility obliges the Bank to allocate the proceeds deriving from the transfer or sale of these securities to an equity reserve, which can only be used for future increases in share capital; the Bank will only be bound to distribute the profits recorded (starting from the year in which the reallocation took place) if an amount equal to the capital gains is allocated to the aforementioned reserve:

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

The Bank, with a specific resolution of the Board of Directors, transferred investment securities to the free portfolio on 29/12/2020, which generated extraordinary income of €2,839,576 in the 2020 financial statements, in addition to €627,574 in additional income from the disposal carried out in the first half of 2021; as mentioned above, the total amount of the income realised must be allocated to a reserve for future capital increases up to the amount of the sum, in future years. As of 31/12/2021, the reserve was increased by €126,613, following the approval of the financial statements as of 31/12/2020. Therefore, the remaining €3,340,538 must be set aside from the profits recorded in subsequent years. Consequently, it will not be possible to distribute profits until a reserve tied to a capital increase for a total of €3,467,150 has been set up.

The capital gain mentioned above, resulting from the sale of the above securities for €627,574, was booked to extraordinary income on investment securities (item 190 in the profit and loss account), in accordance with the provisions of CBSM Regulation 2016/02. The table below shows the list of securities subject to sale in the first half of 2021 pursuant to the aforementioned Prot.20/13417.

- Lastly, as a result of the assignment of the units of the “Green Arrow Private Debt Fund” to BAC following the liquidation of the Tower Credit Opportunities Fund, the fund was valued on the market on the basis of its certified NAV as of 31/12/2021, in accordance with the changed valuation criteria described above, which gave rise to the value adjustment offset by the liquidation of the liquid assets recognised to us on an accruals basis, therefore recognising an overall loss of €602,902 in the Profit and Loss Account.



#### SALES OF INVESTMENT SECURITIES

Sales date	IS IN	DESCRIPTION	Quantity	Px of balance sheet	CTV at pX of Balance sheet	Px of sales	CTV of sales	Minus/ Plus
25/01/21	IT0005135840	BTP-15SE22 1,45% 15/22	6.000.000	99,9154	5.994.927	102,8783	6.172.700	177.773
03/05/21	IT0005090318	BTP-01GN25 1,50% 15/25 EUR	196.000	102,1745	200.262	105,9900	207.740	7.478
03/05/21	IT0005094088	BTP-01MZ32 1,65% 15/32 EUR	652.000	99,1466	646.436	106,9170	697.099	50.663
03/05/21	IT0005170839	BTP-01GN26 1,60% 16/26 EUR	3.628.000	101,9590	3.699.073	107,0770	3.884.754	185.681
03/05/21	IT0005282527	BTP-15NV24 1,45% 17/24 EUR	899.000	99,3627	893.271	105,3550	947.141	53.871
03/05/21	XS2022424993	INTESA SPAOLO 1,75% 19/29 EUR	200.000	104,9682	209.936	106,0256	212.051	2.115
03/05/21	XS1238902057	GENERAL ELECTRIC 1,875% 15/27 EUR	200.000	101,7592	203.518	108,0000	216.000	12.482
22/06/21	IT0005282527	BTP-15NV24 1,45% 17/24 EUR	2.343.000	99,3710	2.328.261	105,2400	2.465.773	137.512
			<b>14.118.000</b>		<b>14.175.684</b>		<b>14.803.259</b>	<b>627.574</b>

Lastly, other changes include fixed asset write-offs and accruals, where present.

**Table 5.4 – Breakdown of “Trading financial instruments”**

ITEMS / VALUES	31/12/2021	31/12/2020
	Fair Value	Fair Value
1. Financial debt instruments	25.558.530	61.748.311
1.1 Bonds	25.558.530	61.748.311
• Listed	25.558.530	61.748.311
• Not listed	-	-
1.2 Other financial debt instruments	-	-
• Listed	-	-
• Not listed	-	-
2. Equity financial instruments	37.433.484	19.015.331
• Listed	23.574.026	-
• Not listed	13.859.458	19.015.331
<b>Total</b>	<b>62.992.014</b>	<b>80.763.642</b>

In the first months of 2021, following the persistence of strong market volatility, and given the expectations of an increase in interest rates, the bank liquidated part of the securities held in the trading portfolio, which are more exposed to the risk of an increase in interest rates, recording an overall loss of €1,179,046, equal to 1.87% of the securities portfolio held as of 31/12/2021. As a result of the sales, the portfolio decreased for a total nominal value of €43,500,000 in bonds and €13,000,000 in investment funds.

The free portfolio was then increased during the year by purchases of bonds, and investment funds of primary state and private issuers and structured products linked to stock market indices, as well as by three funds issued by the subsidiary Bac Investments SG Spa.

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.

**Table 5.5 – Annual changes in “Trading financial instruments”**

DESCRIPTION	31/12/2021	31/12/2020
Opening balance	80.763.642	23.243.184
Increases	48.646.852	85.919.894
1. Purchases	41.843.610	41.038.855
of which debt financial instruments	24.798.126	35.970.650
of which equity financial instruments	17.045.484	5.068.205
2. Value recoveries and revaluations	117.708	3.650.391
3. Transfers from the investment portfolio	5.996.431	40.382.959
4. Other increases	689.103	847.689
Decreases	66.418.480	28.399.436
1. Sales and refunds	63.483.752	6.368.122
of which debt financial instruments	49.475.872	6.324.100
of which equity financial instruments	14.007.880	44.022
2. Value adjustments and write-downs	661.448	198.961
3. Transfers to the investment portfolio	383.485	21.813.183
4. Other decreases	1.889.795	19.170
<b>Closing balance</b>	<b>62.992.014</b>	<b>80.763.642</b>

## 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)
<b>Group companies</b>											
Bac Trustee	S.p.a.	Via Tre Settembre, 316 – 47891 Dogana RSM	Società non Finanziaria	100.000	328.707	161.013	100,00%	183.795	-	328.707	144.912
BAC Life	S.p.a.	Via Tre Settembre, 316 – 47891 Dogana RSM	Attività Assicurativa	6.000.000	7.322.516	699.729	100,00%	6.692.760	-	7.322.516	629.756
Bac Real Estate	S.r.l.	Via Tre Settembre, 316 – 47891 Dogana RSM	Attività compravendita Immobiliare	75.000	413.263	-1.737	100,00%	415.000	-	413.263	-1.737
BAC investments SG	S.p.a.	Via Tre Settembre, 316 – 47891 Dogana RSM	Altrte Istituzioni Finanziarie	500.000	687.173	169.573	100,00%	534.557	-	687.173	152.616
San Marino finanza e previdenza	S.r.l.	Via Tre Settembre, 316 – 47891 Dogana RSM	Società non Finanziaria	26.000	21.149	-4.851	51,00%	13.260	-	10.786	-2.474
<b>Associated companies</b>											
Società servizi informatici sammarinese S.S.I.S	S.p.a.	Strada Cardio, 22 47899 Serravalle RSM	Servizi di elaborazione automatica dei dati	500.000	667.281	8.276	50,00%	333.721	-	333.641	-80
Centro servizi	S.r.l.	Via XXV Marzo, 58 – 47895 Domagnano RSM	Servizi di elaborazione automatica dei dati	74.886	504.314	64.266	33,33%	333.333	-	168.088	-165.245
BKN301 Spa	S.p.a.	Via III Settembre, 99 Dogana 47891	Altrte Istituzioni Finanziarie	3.450.000	2.931.913	-783.313	27,23%	989.628	-	798.360	-191.268
<b>Other investee companies</b>											
Banca centrale della Repubblica di San Marino	S.p.a.	Via del Voltone, 120 – 47890 San Marino RSM	Attività Bancaria	12.911.425	56.343.023	-	5,00%	4.059.241	-	2.817.151	-1.242.090
Agenzia per lo sviluppo economico – Camera di commercio	S.p.a.	Strada di Paderna, 2 – 47895 Domagnano RSM	Servizi	77.469	1.163.830	225.935	1,33%	1.033	-	15.479	14.446

It should be noted that the net equity valuations shown in the table above were made using the figures for the respective companies as at 31/12/2021, for all companies with a holding percentage of more than 50%. It should be noted that the differences noted between the book value and the share of net equity of the holdings of the companies: BAC Trustee Spa, BAC Life Spa and BAC Investments SG Spa are attributable to the resolutions to distribute the dividend to the Parent Company, which will be accounted for in cash in the year 2022.

While the marginal differences recognised on the equity investments: BAC Real Estate Srl, San Marino Finanza e Previdenza Srl are due to the recognition of the loss for the year 2021 and to the proposals of the administrative body which envisage its full coverage by the shareholders, subject to recognition in 2022.

### Investee companies

The shareholding in the Central Bank of the Republic of San Marino remained unchanged; it constitutes 5% of the share capital and is represented by 125 shares of €5,164 each; in the financial statements of 31/12/2013 it was revalued in monetary terms as provided for by Finance Law no.174 of 20/12/2013 in art. 75. The value of the portion recorded in the financial statements, following the revaluation that took place, corresponds to the valuation according to the equity method, based on the values expressed in the financial statements as of 31 December 2013. The positive balance of the revaluation was recorded in a revaluation equity reserve amounting to €3,004,030.

The percentage held in S.S.I.S. Spa (Società Sistemi Informatici Sammarinese) is unchanged compared to the previous year and represents 50% of the investee's capital. BAC is a founding partner together with Cassa di Risparmio della Repubblica di San Marino Spa, which holds the other 50% of the capital; for this equity investment, the valuation was carried out at equity 2021. This entailed a revaluation of €4,219 for the 2021 profit to be allocated to reserves, as per the financial statements approved by the Board of Directors, allocated as an increase to the revaluation reserve accrued in previous years.

The shareholding in Agenzia per lo Sviluppo Economico – Camera di Commercio S.p.a. remains unchanged. represented by 4 shares out of 300 constituting the share capital for a percentage of 1.33%.

Banca Agricola Commerciale also holds a 33.33% interest in Centro Servizi Srl. The main activity consists of IT activities, with particular reference to the production, development, maintenance and marketing of application software, the management of services connected with the use of electronic payment instruments and the trading and rental of hardware; the company also acts as the sole technology manager of the SMaC platform. With reference to the difference between the amount recorded in the financial statements and the corresponding portion of shareholders' equity, no impairment losses are deemed to exist, as the company has systematically capitalised the profits made in recent years.

In 2021, with the authorization of the Supervisory Authority Prot.21/4107 of 12/04/2021, BAC acquired the entire shareholding held by Banca Nazionale Sammarinese S.p.A. in Istituto Sammarinese di pagamento T.P@Y Spa, equal to 33.33% of the share capital of the Authorized Entity, for 150,000 shares, with a nominal value of €1.00 each. Also, during 2021, the participating banks resolved, at the time of approval of the 2020 financial statements, to increase the share capital by a total of €3,000,000, to change the company name, from TP@Y Spa to BKN301 Spa, as well as to renew the management. All the amendments to the articles of association were subject to prior

authorization by the Central Bank. The capital increase, subscribed and paid in by BAC for €1,500,000, forms part of the more general development plan of BKN301 Spa prepared by the company's renewed management, which, among other things, envisaged the entry of the managers who drew up and structured the plan, aimed at significant evolution and growth of the business, both on the domestic and international markets, thanks to the implementation of a banking/payment-as-a-service strategy; as a result, it is not deemed necessary to make an accounting adjustment to equity. At 31/12/2021, therefore, BAC after the entry of new shareholders, holds 27.226% of the equity investment in BKN301 Spa.

### Group shareholdings

In 2021, BAC Investments SG Spa, in its fourth year of business, closed the year with a profit of €169,573, 90% of which was allocated to dividends, as per the financial statements approved by the Board of Directors. The Bank has therefore aligned the value of the investment with equity, revalued it and booked the remaining 10% to the revaluation reserve.

The Funds currently established and managed are 7, belonging to the balanced category, with different risk-return profiles and with variable percentages between the equity and bond components. They are open-ended mutual funds established under the laws of San Marino whose management regulations govern investment activities in compliance with the provisions of Community Directive 85/611/EEC and subsequent additions and amendments, concerning the coordination of laws, regulations and administrative provisions relating to "Undertakings for the Collective Investment of Transferable Securities" (UCITS).

The company, through the distribution network of the Parent Company, increased its assets under management and achieved positive performances on all funds.

On 27/07/2020, BAC Trustee Spa, formerly Bac Fiduciaria Spa, changed its corporate purpose, renouncing the related reserved activity, subject to authorisation from BCSM granted with prot.20/6920 of 24/07/2020, assuming the name of BAC Trustee Spa and transferring en bloc to the Parent Company all activities relating to the management of trust mandates, concluded during 2021; the above in execution of the provisions of the resolutions of the shareholders' meetings of BAC Trustee Spa and the Parent Company BAC. The 2021 financial statements approved by the Board of Directors provide for the distribution of 90% of the profit for the year earned in 2021 to the sole shareholder BAC in the amount of €144,912; the Shareholding has therefore been aligned with the value of Net Equity (net of dividends).

For BAC Real Estate Srl, there was no write-down of €1,737 for the 2021 loss, as the Board of Directors has proposed that it be written off; therefore, BAC will recoup the loss in 2022.

The equity investment in BAC Life Spa was also adjusted to the equity of the investee company based on the results of the 2021 financial year approved by the Board of Directors the proposed profit allocation provides for the distribution of 90% of the profit to the sole shareholder BAC, which will be

paid in cash in 2022 for €629,756, with allocation of the remaining 10% to reserves.

Among the Group's equity investments, in 2021, the new Company Finanza e Previdenza S.r.l. was established, an insurance brokerage agency, in joint-venture with an insurance company based in Imola, which represents one of the main distribution networks for insurance products in Italy with approximately 240 employees/sub-agents, an insurance portfolio of approximately €450 million and numerous mandates received from leading Italian and foreign Insurance Companies. The new company will act in synergy with the Group's insurance company, BAC Life Spa. The company San Marino Finanza e Previdenza will carry out brokerage in the insurance and financial field. The company is 51% owned by BAC as of 31/12/2021 and has a paid-up share capital of €26,000. The loss realised in 2021 will be covered by the shareholders in 2022, for €2,474, equal to 51% of the total loss, as far as BAC is concerned. In these financial statements, therefore, the investment has not been aligned with the corresponding share of equity. The following tables provide information on the aggregate movements regarding the shareholdings held.

**Table 6.2 – Breakdown of item 70 “Shareholdings”**

ITEMS / VALUES	31/12/2021			31/12/2020		
	Purchase price	Book value	Fair Value	Purchase price	Book value	Fair Value
In credit institutions	645.571	4.059.241	-	645.571	4.059.242	-
• Listed	-	-	-	-	-	-
• Not listed	645.571	4.059.241	-	645.571	4.059.242	-
In other financial firms	989.628	989.628	-	-	-	-
• Listed	-	-	-	-	-	-
• Not listed	989.628	989.628	-	-	-	-
Others	584.363	668.087	-	584.364	663.868	-
• Listed	-	-	-	-	-	-
• Not listed	584.363	668.087	-	584.364	663.868	-
<b>Total</b>	<b>2.219.562</b>	<b>5.716.956</b>	<b>-</b>	<b>1.229.935</b>	<b>4.723.110</b>	<b>-</b>

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

ITEMS / VALUES	31/12/2021			31/12/2020		
	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	7.411.112	-	6.600.000	7.308.080	-
• Listed	-	-	-	-	-	-
• Not listed	6.600.000	7.411.112	-	6.600.000	7.308.080	-
Others	88.260	428.260	-	75.000	406.481	-
• Listed	-	-	-	-	-	-
• Not listed	88.260	428.260	-	75.000	406.481	-
<b>Total</b>	<b>6.688.260</b>	<b>7.839.372</b>	<b>-</b>	<b>6.675.000</b>	<b>7.714.561</b>	<b>-</b>

**Table 6.4 – Annual changes in item 70 “Shareholdings”**

DESCRIZIONE	31/12/2021
A) Esistenze iniziali	4.723.110
B) Aumenti	993.847
B1. Acquisti	989.628
B2. Riprese di valore	-
B3. Rivalutazioni	4.219
B4. Altre variazioni	-
C) Diminuzioni	1
C1. Vendite	-
C2. Rettifiche di valore	-
di cui svalutazioni durature	-
C3. Altre variazioni	1
D) Consistenza finale	5.716.956
E) Rivalutazioni totali	4.219
F) Rettifiche totali	-

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

DESCRIPTION	31/12/2021
A) Opening balance	7.714.561
<b>B) Increases</b>	<b>133.330</b>
<b>B1. Purchases</b>	<b>13.260</b>
<b>B2. Value recoveries</b>	<b>-</b>
<b>B3. Revaluations</b>	<b>120.070</b>
<b>B4. Other increases</b>	<b>-</b>
<b>C) Decreases</b>	<b>8.519</b>
<b>C1. Sales</b>	<b>-</b>
<b>C2. Value adjustments</b>	<b>8.519</b>
of which lasting devaluations	-
<b>C3. Other decreases</b>	<b>-</b>
D) Closing balance	7.839.372

As explained above, item “B3. Revaluations” includes the revaluations of the subsidiaries BAC Life Spa, BAC Investments SG Spa, BAC Trustee Spa and, marginally, Bac Real Estate to restore coverage of the 2020 loss.

The tables below detail the changes in equity investments forming part of the Banking Group.

BAC Trustee Spa	31/12/2021	Profit allocation 2021	Net equity
Share capital	100.000	-	100.000
Legal reserve	67.694	-	67.694
Other reserves	-	16.101	16.101
To shareholder	-	144.912	-
Profit for the year	161.013	-161.013	-
<b>Total</b>	<b>328.707</b>	<b>-</b>	<b>183.795</b>



BAC Life Spa	31/12/2021	Profit allocation 2021	Net equity
Share capital	6.000.000		6.000.000
Legal reserve	535.991	69.973	605.964
Other reserves	86.796		86.796
To shareholder		629.756	
Profit for the year	699.729	-699.729	-
<b>Total</b>	<b>7.322.516</b>	<b>-</b>	<b>6.692.760</b>

BAC Real Estate Srl	31/12/2021	Shareholder conference	Net equity
Share capital	75.000	-	75.000
Legal reserve	-	-	-
Other reserves	340.000	-	340.000
To shareholder	-	-	-
Profit for the year	-1.737	1.737	-
<b>Total</b>	<b>413.263</b>	<b>1.737</b>	<b>415.000</b>

Bac Investments SG Spa	31/12/2021	Profit allocation 2021	Net equity
Share capital	500.000	-	500.000
Legal reserve	5.988	-	5.988
Other reserves	11.612	16.957	28.569
To shareholder	-	152.616	-
Profit for the year	169.573	-169.573	-
<b>Total</b>	<b>687.173</b>	<b>-</b>	<b>534.557</b>

San Marino finanza e previdenza Srl	31/12/2021	Shareholder conference	Settlement due to BAC	Net equity	of which attributable to BAC
Share capital	26.000	-	-	26.000	13.260
Legal reserve	-	-	-	-	-
Other reserves	-	-	-	-	-
Profit for the year	-4.851	4.851	2.474	-	-
<b>Total</b>	<b>21.149</b>	<b>4.851</b>	<b>-</b>	<b>26.000</b>	<b>13.260</b>

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

DESCRIPTION	31/12/2021	31/12/2020
<b>Assets</b>	<b>161.222.241</b>	<b>117.687.190</b>
• Loans to credit institutions	159.554.195	116.993.426
of which subordinates	-	-
of which associated companies	-	-
of which subordinates	-	-
• Loans to other financial companies	1.032.841	-
of which subordinates	-	-
of which associated companies	1.032.841	-
of which subordinates	-	-
• Loans to other companies	635.205	693.764
of which subordinates	-	-
of which associated companies	635.205	693.764
of which subordinates	-	-
• Bonds and other debt financial instruments	-	-
of which subordinates	-	-
of which associated companies	-	-
of which subordinates	-	-
<b>Liabilities</b>	<b>582.605</b>	<b>136.097</b>
• Amounts due to credit institutions	-	-
of which associated companies	-	-
• Amounts due to other companies	582.605	136.097
of which associated companies	466.290	136.097
• Payables represented by financial instruments	-	-
of which associated companies	-	-
• Subordinate liabilities	-	-
of which associated companies	-	-
<b>Guarantees and commitments</b>	<b>-</b>	<b>-</b>
• Guarantees given	-	-
• Commitments	-	-

Loans to banks, amounting to €159,554,195, consisted of the current account held with CBSM for €132,586,249, the term deposit ROB (Compulsory Reserve) for € 24,687,346 and other deposits for € 2,280. The item “Receivables from other financial companies, of which from associated companies”, valued at €1,032,841, expresses loans from the associated company BKN301 Spa, of which €473,501 for intangible leases and €559,340 for receivables in foreign currency. “Loans to other companies”, which amounted to €635,205, are represented by leasing

contracts on buildings and instrumental tangible assets towards SSIS Spa. Liabilities include the balance of the current account opened with the above-mentioned SSIS S.p.A. for €15,097, the balance of the current account opened with Centro Servizi Srl for €568, the balance of the current account opened with BKN301 Spa for €450,625, as associated companies, as well as the balance of the current account opened with the Agenza per lo Sviluppo Economico – Camera di Commercio Spa for €116,315.

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

DESCRIPTION	31/12/2021	31/12/2020
<b>Assets</b>	<b>12.385.678</b>	<b>12.293.734</b>
• Loans to credit institutions	-	-
of which subordinates	-	-
• Loans to other financial companies	-	-
of which subordinates	-	-
• Loans to other companies	12.385.678	12.293.734
of which subordinates	-	-
• Bonds and other debt financial instruments	-	-
of which subordinates	-	-
<b>Liabilities</b>	<b>4.163.601</b>	<b>2.466.740</b>
• Amounts due to credit institutions	-	-
• Amounts due to other companies	4.163.601	2.256.740
• Payables represented by financial instruments	-	210.000
• Subordinate liabilities	-	-
<b>Guarantees and commitments</b>	<b>-</b>	<b>-</b>
• Guarantees given	-	4.000
• Commitments	-	-

The item: “Loans to other companies” represents SAL leasing contracts taken out by Bac Real Estate Srl. The item: “Amounts due to other companies” consists of current account balances of BAC Life Spa for €3,182,806, of BAC Investments Spa SG for €694,842, of BAC Real Estate Srl for €12,339, of BAC Trustee Spa for €249,952 and of San Marino Finanza e Previdenza Srl for €23,661.

## 7. Intangible fixed assets (asset item 90)

**Table 7.1 – Description and movements in item 90 “Intangible fixed assets”**

ANNUAL CHANGES	31/12/2021	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
<b>A. Opening balance</b>	1.535.903	519.419	-	-	-	-	-	-	-	1.016.484
<b>B. Increase</b>	72.993	1.026	-	-	-	-	-	-	-	71.967
<b>B1. Purchases</b>	71.967	-	-	-	-	-	-	-	-	71.967
<b>B2. Value recoveries</b>	937	937	-	-	-	-	-	-	-	-
of which by creditworthiness	937	937	-	-	-	-	-	-	-	-
<b>B3. Revaluations</b>	-	-	-	-	-	-	-	-	-	-
<b>B4. Other increases</b>	89	89	-	-	-	-	-	-	-	-
<b>C. Decreases</b>	197.581	49.464	-	-	-	-	-	-	-	148.117
<b>C1. Sales</b>	-	-	-	-	-	-	-	-	-	-
<b>C2. Value adjustments</b>	197.483	49.366	-	-	-	-	-	-	-	148.117
of which depreciation and amortization	197.483	49.366	-	-	-	-	-	-	-	148.117
of which lasting devaluations	-	-	-	-	-	-	-	-	-	-
of which by creditworthiness	-	-	-	-	-	-	-	-	-	-
<b>C3. Other decreases</b>	98	98	-	-	-	-	-	-	-	-
<b>D. Closing balance</b>	1.411.315	470.981	-	-	-	-	-	-	-	940.334

Other intangible fixed assets consist of expenses for: software purchase, leasehold improvements, studies, research, personnel training, sundry deferred costs and concession rights. Software is valued at cost, including all analysis, installation and training costs. In addition, any fully amortised intangible assets are written off from the accounts by deducting both the value of the asset and the related provision. Amortisation rates are calculated in relation to their residual possibility of utilisation.

In 2009, the bank acquired from the Most Excellent Chamber of the Republic of San Marino the concession rights for the construction of an underpass to be used by the bank for thirty years; therefore, the expenses incurred for the rights and the construction works for its construction were included in an intangible fixed assets accounting item to be amortised for the duration of the concession, as per the clarifications issued by the San Marino Tax Authority.

GRANT HOLDERS' RIGHTS AND WORKS UNDER PASSAGE	2021	2020
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	-535.678	-493.865
of which depreciation charge for the year	41.813	41.813
Closing balance	718.716	760.529

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

ITEMS / VALUES	31/12/2021			31/12/2020		
	Purchase price / Production cost	Book value	Fair Value	Purchase price / Production cost	Book value	Fair Value
Financial leasing	564.524	470.981	-	564.524	519.419	-
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	1.812.093	940.334	-	2.461.467	1.016.484	-
<b>Total</b>	<b>2.376.617</b>	<b>1.411.315</b>	<b>-</b>	<b>3.025.991</b>	<b>1.535.903</b>	<b>-</b>

## 8. Tangible fixed assets (assets item 100)

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

ANNUAL CHANGES	31/12/2021	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
<b>A. Opening balance</b>	165.555.848	65.711.117	10.636.420	2.229.101	2.229.101	69.216.830	69.216.830	28.059.785	339.015
<b>B. Increase</b>	18.949.545	9.650.928	662.256	883.621	883.621	8.308.693	8.308.693	41.940	64.363
<b>B1. Purchases</b>	16.901.414	8.284.736	550.840	744.415	744.415	7.765.960	7.765.960	41.940	64.363
<b>B2. Value recovery</b>	98.471	98.471	7.916	-	-	-	-	-	-
of which by creditworthiness	98.471	98.471	7.916	-	-	-	-	-	-
<b>B3. Revaluations</b>	-	-	-	-	-	-	-	-	-
<b>B4. Other increases</b>	1.949.660	1.267.721	103.500	139.206	139.206	542.733	542.733	-	-
<b>C. Decreases</b>	19.654.609	16.622.329	654.330	500.725	500.725	1.455.110	1.455.110	944.344	132.101
<b>C1. Sales</b>	2.031.309	627.262	63.575	174.171	174.171	1.229.876	1.229.876	-	-
<b>C2. Value adjustments</b>	14.699.014	13.078.015	-	326.554	326.554	218.000	218.000	944.344	132.101
of which depreciation and amortization	14.154.460	13.078.015	-	-	-	-	-	944.344	132.101
of which lasting devaluations	319.912	-	-	101.912	101.912	218.000	218.000	-	-
of which by creditworthiness	224.642	-	-	224.642	224.642	-	-	-	-
<b>C3. Other decreases</b>	2.924.286	2.917.052	590.755	-	-	7.234	7.234	-	-
<b>D. Closing balance</b>	164.850.784	58.739.716	10.644.346	2.611.997	2.611.997	76.070.413	76.070.413	27.157.381	271.277

Item 100 “Other tangible fixed assets” includes furniture, safes and plant, electronic machines and motor vehicles. As with intangible fixed assets, any tangible fixed assets that have been fully depreciated are written off from both the value of the asset and the related provisions.

During the year, the values of certain real estate assets were adjusted to bring them into line with updated market appraisals.

In the next table, the item “B. assets awaiting lease termination” includes fixed assets returned to the full possession of the Bank following termination due to default of the lessees of the lease contracts. These amounts are also included in the table detailing loans to customers, as required by the regulations on the preparation of financial statements (CBSM Regulation 2016/02). Item “C. Assets available for collection” includes real estate owned for €76,069,249 and movable assets for €1.164 acquired, over the

years, as a result of waiver and write-off agreements of credit positions of insolvent customers classified as non-performing leases; these assets are not instrumental to the business and therefore are not subject to depreciation; in order to optimise the management of these assets, the bank has identified a dedicated department within the corporate organisation chart, called the Real Estate Department, which is responsible for their maintenance, relocation and sale.

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

ITEMS / VALUES	31/12/2021			31/12/2020		
	Purchase price / Production cost	Book value	Fair Value	Purchase price / Production cost	Book value	Fair Value
Financial leasing	140.292.586	58.739.716	-	137.348.718	65.711.117	-
of which assets under construction	12.619.760	10.644.346	-	12.599.316	10.636.420	-
Assets awaiting lease termination	7.958.229	2.611.997	-	9.324.106	2.229.101	-
of which due to default by the tenant	7.958.229	2.611.997	-	9.324.106	2.229.101	-
Assets available from debt collection	-	76.070.413	76.070.413	-	69.216.830	69.216.830
of which assets available for credit extinction by means of a settlement agreement	-	76.070.413	76.070.413	-	69.216.830	69.216.830
Lands and buildings	40.671.290	27.157.381	-	42.008.775	28.059.785	-
Other tangible fixed assets	974.888	271.277	-	1.147.976	339.015	-
<b>Total</b>	<b>189.896.993</b>	<b>164.850.784</b>	<b>76.070.413</b>	<b>189.829.575</b>	<b>165.555.848</b>	<b>69.216.830</b>

**Table 8.3 – Assets acquired from credit recovery**

ITEMS / VALUES	31/12/2021		31/12/2020	
	Book value	Fair value	Book value	Fair value
<b>A. Assets acquired from credit recovery deriving from financial leasing contracts</b>	69.702.085	69.702.085	68.764.112	68.764.112
<b>A1. Real estate</b>	69.700.921	69.700.921	68.542.520	68.542.520
of which for residential use	11.122.753	11.122.753	21.227.220	21.227.220
of which for non-residential use	58.578.168	58.578.168	47.315.300	47.315.300
<b>A2. Movable property</b>	1.164	1.164	221.592	221.592
of which vehicles	-	-	-	-
of which naval aircraft	-	-	-	-
of which other	1.164	1.164	221.592	221.592
<b>B. Assets acquired from credit recovery deriving from other loan agreements</b>	6.368.328	6.368.328	452.718	452.718
<b>B1. Real estate</b>	6.368.328	6.368.328	452.718	452.718
of which for residential use	842.508	842.508	-	-
of which for non-residential use	5.525.820	5.525.820	452.718	452.718
<b>B2. Movable property</b>	-	-	-	-
of which vehicles	-	-	-	-
of which naval aircraft	-	-	-	-
of which other	-	-	-	-
<b>Total</b>	<b>76.070.413</b>	<b>76.070.413</b>	<b>69.216.830</b>	<b>69.216.830</b>

Assets acquired from credit recovery were recorded in the balance sheet assets, following a settlement agreement with the customer, at the appraised value at the time of the agreement within the limit of the credit exposure.



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

CATEGORIES / VALUES	Totali 31/12/2021	of which leasing to credit institutions	of which leasing to customers	Total 31/12/2020	of which leasing to credit institutions	of which leasing to customers
Leasing – Total	65.013.569	–	65.013.569	71.337.488	–	71.337.488
A. of which for overdue fees	3.190.875	–	3.190.875	2.877.851	–	2.877.851
B. of which Residual principal credit	61.822.694	–	61.822.694	68.459.637	–	68.459.637
<b>B1. Intangible fixed assets</b>						
• Financial leasing	470.981	–	470.981	519.419	–	519.419
• Assets awaiting lease termination	–	–	–	–	–	–
<b>B2. Tangible fixed assets</b>						
• Financial leasing	58.739.716	–	58.739.716	65.711.117	–	65.711.117
• Assets awaiting lease termination	2.611.997	–	2.611.997	2.229.101	–	2.229.101

## 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 31/12/2020	553	0,07%	14.378	14.378
Purchases	–	–	–	–
Sales	–	–	–	–
Values as of 31/12/2021	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	31/12/2021	31/12/2020
Guarantee margins	-	-
Premiums paid for options	-	-
Other activities	125.547.851	129.920.008
of which various debtors:	4.171.135	5.272.980
• Administrative expenses	840.031	935.200
• Interest, commission income and dividends, accrued and not paid-in	530.305	13.046
• Security deposits	602.280	600.000
• Coded customers	1.909.301	3.533.993
• ATM withdrawals suspense account	4.770	3.600
• Advances to Suppliers	10.311	-
• Transitional customer positions	274.137	87.141
• Future contribution of BAC Real Estate Srl share capital increase	-	100.000
of which other:	121.376.716	124.647.028
• Advances paid to the tax authorities for IGR for which compensation is requested	-	50.981
• RID management of commercial receipts	693.527	731.722
• Temporary tax differences of loan management fund shares decree law no. 174 dated 27/11/2011	7.550.186	7.550.186
• Technical accounts	1.583.409	933.369
• Correspondent bank bills	16.096.875	12.356.787
• Bills from s.b.f. customers	50.134.557	53.091.749
• Bills from customers s.b.f. cheques	4.095.711	4.615.814
• Customer bills after collection	3.377.807	2.501.118
• Suspense accounts – traveling consignments	2.161.067	1.781.046
• Loans from credito sammarinese	87.107	220.423
• Deferred tax assets	568.327	568.327
• Tax credit from credito sammarinese	429.829	1.013.345
• Credit to excellent chamber, state body interest share	270.498	317.310
• Security deposits	702.895	708.168
• Suspension of value adjustments Article 40 Law 173/2018	32.072.332	36.654.094
• Tax differences of odysseus fund shares decree law no. 72 of 27/06/2013.	1.552.589	1.552.589
<b>Total</b>	<b>125.547.851</b>	<b>129.920.008</b>

The item “Other Assets” includes all assets that cannot be allocated to other asset items. This item also includes any inventories of in-transit and suspense items not allocated to the relevant accounts. As a result of the valuation at NAV of the closed-end Loan Management fund, BAC has booked the capital losses recognised up to 31/12/2020, amounting to €7,550,186, to the item “Temporary tax differences of the Loan Management fund units”, as indicated by the Supervisory Authority with letter Prot.14/2288 of 13/03/2014, in compliance with Law no. 174 of 27 October 2011 and the subsequent Law 223/2020 art.7, which definitively established the maximum amount of the tax benefits on the basis of the fund’s accounts as of 31/12/2020.

In addition, as a result of the acquisition of the Fondo Odisseo, following the assumption of liabilities protected by the SNB, until 2020 the negative differences with respect to the NAV have been recorded under the item “Tax differences of the units of the Fondo Odisseo Decree Law no. 72 of 27 June 2013”; therefore, the tax credit booked until 31/12/2020 amounts to euro. The write-down recognized on the basis of the NAV of 31/12/2021, amounting to €140,872, as a result of the intervening legislative amendment introduced by Law 223/2020 art.7, which definitively established the maximum amount of tax benefits on the basis of the fund’s statement as of 31/12/2020, was recorded as a loan from the Transferor BNS Spa, now SGA Spa, on the basis of art.31 of the punctuation agreement signed on 11/09/2019 and recorded in the item “transitional customer positions”.

These amounts were finally acknowledged by the Tax Office on 21/02/2022 under Prot.18206/2022/DG.

Lastly, the item: “Suspension of value adjustments Law 173/2018 art.40”, corroborated for €32,072,332, represents the AQR adjustments still suspended, by virtue of the relevant law, for 7/10.

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

TAX CREDITS, DEFERRED TAX ASSETS, RELATED ACCOUNTING ITEMS	31/12/2021	31/12/2020
Accounting items related to specific decrees	9.532.604	10.116.120
• Tax credit Decree Law 174/2011	429.829	1.013.345
• Temporary tax differences of the Loan Management Fund units	7.550.186	7.550.186
• Tax differences of the Odisseo fund units Decree Law no. 72 of 27/06/2013	1.552.589	1.552.589
Deferred tax assets	568.327	568.327
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	506.158
Other related accounting items	-	50.981
Advances paid to the tax authorities for IGR for which compensation is requested	-	50.981
<b>Total</b>	<b>10.100.931</b>	<b>10.735.428</b>

For the sake of clarity, we point out that the items “Codified customers” and those referring to bills from correspondent banks and customers entered under “Other Assets” are algebraically offset with the items identified respectively under “Other Liabilities” in the items “Leasing Invoices” and “Bill Payers”.

## 12. Accrued income and prepaid expenses (asset item 140)

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

DESCRIPTION	31/12/2021	31/12/2020
Accrued income	68.324	101.096
• Other accrued income	68.324	101.096
Prepaid expenses	178.611	203.116
• On rents payable	20.972	20.971
• On administrative expenses	157.639	182.145
<b>Total</b>	<b>246.935</b>	<b>304.212</b>

Relevant accruals are made as an adjustment to assets and liabilities in compliance with the provisions of CBSM Regulation 2016/02, art. IV.I.14. 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	31/12/2021			31/12/2020			CHANGE	
	In euro	In foreign currency	Total	In euro	In foreign currency	Total	Amount	%
A) At sight	1.227.214	819	1.228.033	1.189.231	464	1.189.695	38.338	3,22%
A1. Reciprocal accounts opened for services rendered	1.227.214	-	1.227.214	1.189.231	-	1.189.231	37.983	3,19%
A2. Free deposits	-	-	-	-	-	-	-	-
A3. Others	-	819	819	-	464	464	355	76,51%
B) At term or with notice	-	-	-	-	-	-	-	-
B1. Passive current accounts	-	-	-	-	-	-	-	-
B2. Term deposits	-	-	-	-	-	-	-	-
B3. Repurchasing agreements and passive carry-overs	-	-	-	-	-	-	-	-
B4. Other financing	-	-	-	-	-	-	-	-
<b>Total</b>	<b>1.227.214</b>	<b>819</b>	<b>1.228.033</b>	<b>1.189.231</b>	<b>464</b>	<b>1.189.695</b>	<b>38.338</b>	<b>3,22%</b>

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

MATURITY	31/12/2021	31/12/2020
At sight	1.228.033	1.189.695
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	-	-
<b>Total</b>	<b>1.228.033</b>	<b>1.189.695</b>

## 14. Amounts due to customers (liabilities item 20)

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

DESCRIPTION	31/12/2021			31/12/2020			CHANGE	
	In euro	In foreign currency	Total	In euro	In foreign currency	Total	Amount	%
<b>A) At sight</b>	458.929.093	9.547.309	468.476.402	425.324.902	10.488.009	435.812.911	32.663.491	7,49%
<b>A1. Passive current accounts</b>	456.370.219	9.547.309	465.917.528	422.581.288	10.488.009	433.069.297	32.848.231	7,58%
<b>A2. Savings deposits</b>	2.558.874	-	2.558.874	2.743.614	-	2.743.614	-184.740	-6,73%
<b>A3. Others</b>	-	-	-	-	-	-	-	-
<b>B) Term or with notice</b>	43.546.173	-	43.546.173	37.577.085	-	37.577.085	5.969.088	15,88%
<b>B1. Term passive current accounts</b>	-	-	-	-	-	-	-	-
<b>B2. Restricted savings deposits</b>	-	-	-	-	-	-	-	-
<b>B3. Repurchase agreements and passive carry-overs</b>	23.545.756	-	23.545.756	27.441.068	-	27.441.068	-3.895.312	-14,20%
<b>B4. Other funds</b>	20.000.417	-	20.000.417	10.136.017	-	10.136.017	9.864.400	97,32%
<b>Total</b>	<b>502.475.266</b>	<b>9.547.309</b>	<b>512.022.575</b>	<b>462.901.987</b>	<b>10.488.009</b>	<b>473.389.996</b>	<b>77.265.158</b>	<b>16,32%</b>

This table provides details of “Item 20” of liabilities. In reclassifying amounts due to customers, internal cheques were excluded, recorded under “Other liabilities” in the amount of €687,867 in 2021, while in 2020 they amounted to €929,136. A combined reading of the tables above and below shows an important increase in customer deposits (+16.32%), which favoured investments in demand and term relationships, the latter mainly from institutional investors.

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

MATURITY	31/12/2021	31/12/2020
At sight	468.476.402	435.812.911
Up to 3 months	1.844.579	21.963.909
From over 3 months to 6 months	32.601.033	5.611.573
From over 6 months to 1 year	9.100.561	10.001.603
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	-	-
<b>Total</b>	<b>512.022.575</b>	<b>473.389.996</b>

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	31/12/2021			31/12/2020			CHANGE	
	In euro	In foreign currency	Total	In euro	In foreign currency	Total	Amount	%
Bonds	-	-	-	-	-	-	-	-
of which held by credit institutions	-	-	-	-	-	-	-	-
Certificates of deposit	195.251.102	-	195.251.102	207.233.579	-	207.233.579	-11.982.477	-5,78%
of which held by credit institutions	-	-	-	-	-	-	-	-
Other financial instruments	-	-	-	-	-	-	-	-
of which negotiated acceptances	-	-	-	-	-	-	-	-
of which outstanding bills	-	-	-	-	-	-	-	-
of which atypical securities	-	-	-	-	-	-	-	-
<b>Total</b>	<b>195.251.102</b>	<b>-</b>	<b>195.251.102</b>	<b>207.233.579</b>	<b>-</b>	<b>207.233.579</b>	<b>-11.982.477</b>	<b>-5,78%</b>

## 16. Other liabilities (liability item 40)

**Table 16.1 – Breakdown of item 40 “Other liabilities”**

OTHER LIABILITIES	31/12/2021	31/12/2020
Guarantee margins	-	-
Awards received for options	-	-
Cheques in circulation and similar securities	687.867	929.136
Others:	86.145.622	88.455.292
of which various creditors	1.498.650	1.538.397
• Salaries / emoluments	1.441.845	1.494.914
• Items in the course of collection	10.755	13.483
• Security deposits	46.050	30.000
of which Other	84.646.972	86.916.895
• Transferring bills after collection	5.396.648	4.174.015
• Transferring bills subject to collection	72.253.238	72.463.651
• Regular matches	576.174	895.013
• Payable to the tax office for with holding tax made	501.948	505.459
• Payable to the tax office for various withholdings / taxes	629	1.822
• Suppliers to be liquidated	2.048.498	2.288.624
• Pledged funds	24.757	25.422
• Cash / ATM surpluses	7.875	4.725
• Incoming transfers / to be sent	80.865	136.711
• Italy / R.S.M. Utilities	654.631	1.782.167
• ATM / pos / card transactions	178.539	208.098
• Securities transactions	216.721	-
• Other items	638.410	738.457
• Credito sammarinese transferred customers	158.733	158.733
• Invoices issued for leasing fees	1.909.306	3.533.998
<b>Total</b>	<b>86.833.489</b>	<b>89.384.428</b>

As specified in the commentary on “Other assets”, the items “Lease instalment invoices” and “Assignors of bills” are offset against the items “Other assets” under “Codified customers” and “Bills from banks and customers”, respectively.



**Table 16.2 – Amounts due for e money**

DESCRIPTION	31/12/2021	31/12/2020
For nominative instruments	178.539	208.098
of which rechargeable	154.303	152.136
of which non-rechargeable	24.236	55.962
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	31/12/2021	31/12/2020
A) Accrued liabilities	715	1.289
A1. Accrued liabilities on derivative contracts	715	1.289
B) Deferred income	148.032	160.811
B1. Deferred income from foreign portfolio	2.103	4.549
B2. Deferred commission income unsecured loans	46.286	52.475
B3. Other deferred income	99.643	103.787
<b>Total</b>	<b>148.747</b>	<b>162.100</b>

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	31/12/2021	31/12/2020
Opening balance	522.895	502.944
Increases	516.480	540.957
• Provisions	516.480	540.957
• Other increases	–	–
Decreases	522.895	521.006
• Uses	522.895	521.006
• Other decreases	–	–
<b>Closing balance</b>	<b>516.480</b>	<b>522.895</b>

Severance, as provided for by current legislation, is paid annually to employees. The balance therefore corresponds to the portion relating to the 2021 financial year.

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

COMPOSITION	31/12/2021	31/12/2020
Pension funds and similar obligations	–	–
Taxes and fees fund	13.803	13.803
Other funds	997.091	918.674
• Claims and revocation fund	607.048	556.000
• Contractual increase fund	168.298	168.298
• Charity fund	9.455	13.155
• Unused holiday fund	212.290	181.221
<b>Total</b>	<b>1.010.894</b>	<b>932.477</b>

For the year under review, no provision was made to the Provision for Taxes and Fees because, based on the current tax legislation and the estimated calculations, BAC will not have to recognize income taxes. It should be recalled that, from the 2019 financial year, the regulations on provisions exceeding 5% of total Loans to customers was revised by Law No.154 of 3 October 2019, art.11, and the dichotomy between the statutory and fiscal financial statements, which, under the original Tax Law No. 166 of 16 December 2013, imposed the taxation of loan loss provisions in excess

of 5% of loans, was thus removed, in stark contrast to the Regulatory Supervisory Regulations, which impose specific write-downs on impaired loans and lump-sum write-downs to cover the risk of loss. The law provided for the possibility of deducting the excess previously taxed on a straight-line basis over five years and of taking any losses generated by deductions as a deduction. While there are no disputes with the San Marino tax authorities, an assessment was opened in December 2019 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; BAC complied with the assessment for the year 2013 and paid within the deadline of 31/07/2020 the amount claimed by the Italian Revenue Agency by way of taxes and oblated penalty, recorded in the Income Statement under Indirect taxes and withholding taxes. Having archived the year 2013, the ADE has now undertaken the assessment on the year 2014 and will proceed up to and including 2017 in relation to the pleadings already filed; BAC has adhered to the assessment with payment by instalments on the amounts already crystallized by the Revenue Office. The payment by instalments would be opportune from a strategic point of view if and insofar as the start of the MAP (Mutual Agreement Procedure) between Italy and RSM is faced, aimed at collaboratively overcoming tax disputes and establishing the operating procedures in the cases outlined above, also in light of the Convention on double taxation signed with Italy. The instalment payments during the year 2021 were recognised directly in the Income Statement under indirect taxes. Conversely, the Bank, following the entry into force of the Double Taxation Convention in 2013, had a receivable from the Inland Revenue for the request for reimbursement of withholding taxes on Italian securities; during 2021, a tranche of said receivable amounting to € 233,884 was reimbursed as a last resort, after a lengthy dispute and exchange of correspondence, and was booked under contingent assets.

**Table 18.3 – movement of the “Tax reserves and duties”**

DESCRIPTION	31/12/2021	31/12/2020
Opening balance	13.803	106.828
Increases	-	-
• Provisions	-	-
• Other increases	-	-
Decreases	-	93.026
• Uses	-	93.026
• Other decreases	-	-
<b>Closing balance</b>	<b>13.803</b>	<b>13.803</b>

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

EMPLOYEES CONTRACTUAL INCREASE FUND	31/12/2021	31/12/2020
Opening balance	168.298	168.298
Increases	-	-
• Provisions	-	-
• Other increases	-	-
Decreases	-	-
• Uses	-	-
• Other decreases	-	-
<b>Closing balance</b>	<b>168.298</b>	<b>168.298</b>

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	31/12/2021	31/12/2020
Opening balance	181.222	164.426
Increases	31.068	16.795
• Provisions	31.068	16.795
• Other increases	-	-
Decreases	-	-
• Uses	-	-
• Other decreases	-	-
<b>Closing balance</b>	<b>212.290</b>	<b>181.222</b>

CHARITY FUND	31/12/2021	31/12/2020
Opening balance	13.155	23.005
Increases	-	-
• Provisions	-	-
• Other increases	-	-
Decreases	3.700	9.850
• Uses	3.700	9.850
• Other decreases	-	-
<b>Closing balance</b>	<b>9.455</b>	<b>13.155</b>

CLAIMS AND REVOCATION FUND	31/12/2021	31/12/2020
Opening balance	556.000	643.800
Increases	70.225	31.660
• Provisions	70.225	31.660
• Other increases	-	-
Decreases	19.177	119.460
• Uses	19.177	26.660
• Other decreases	-	92.800
<b>Closing balance</b>	<b>607.048</b>	<b>556.000</b>

For the current year, it was deemed necessary to replenish the provision detailed above for € 55,000, for increases in loss forecasts on pending lawsuits, in addition to a flat-rate prudential provision of € 15,225. On the other hand, it was used for €19,177 for additional costs invoiced by professionals on cases already settled.

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

DESCRIPTION	31/12/2021	31/12/2020
Opening balance	-	17.857.990
Increases	605.000	-
• Provisions	-	-
• Other increases	605.000	-
Decreases	605.000	17.857.990
• Uses	-	-
• Other decreases	605.000	17.857.990
<b>Closing balance</b>	<b>-</b>	<b>-</b>

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 “Provision for general financial risks**

Data not present.

**Table 19.2 – Breakdown of item 100 “Subordinated liabilities”**

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			Amount	%
Subordinated liabilities	2.400.988	2.400.988	-	-
of which held by credit institutions	-	-	-	-
of which hybrid capitalization instruments	-	-	-	-

BAC issued a subordinated loan with a five-year maturity, effective as of 1 December 2020, which was subscribed 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	31/12/2021			31/12/2020			VARIAZIONE	
	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	-	-
<b>Total</b>	<b>803.080</b>	<b>26</b>	<b>20.880.080</b>	<b>803.080</b>	<b>26</b>	<b>20.880.080</b>	<b>-</b>	<b>-</b>

**Table 19.4 – Breakdown of item 120 “Share premium reserves”**

Data not present.

**Table 19.5 – Breakdown of item 130 “Reserves”**

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			Amount	%
a) Ordinary or legal reserve	49.248.958	50.873.984	-1.625.026	-3,19%
of which reserve in tax suspension	1.227.968	1.227.968	-	-
b) Reserve for own shares	14.378	14.378	-	-
c) Statutory reserves	-	-	-	-
d) Other reserves	126.612	-	126.612	100,00%
<b>Total</b>	<b>49.389.948</b>	<b>50.888.362</b>	<b>-1.498.414</b>	<b>-2,94%</b>

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 attributable to the absorption of the 2019 loss for a total of €1,656,680 and to the allocation of €31,653, equal to 20% of the profit earned in 2020, as indicated by Regulation 2007/07 art. VII.III.1. Finally, the item “d) Other reserves” was replenished for €126,613.44, i.e., the remaining 80% of the 2020 profit earned, to be used as a non-distributable Reserve Fund, which can be used to increase capital in the future, as indicated by CBSM Prot.20/13417 of 22/12/2020 following the transfer of securities from the free portfolio to the investment portfolio.

**Table 19.6 – Breakdown of item 140 “Revaluation reserve”**

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			Amount	%
Revaluation reserve	18.076.812	18.061.042	15.770	0,09%

The revaluation reserves showed an overall positive change at the end of 2021, due to the revaluation to equity of the investee companies: BAC Life Spa, SSIS Spa and BAC Investments SG Spa and BAC Trustee Spa, as explained in more detail in the section on Investments.

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

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			Amount	%
Retained earnings (losses) carried forward	-	-1.656.680	1.656.680	-100,00%

The 2020 loss was absorbed through the use of the ordinary reserve.

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

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			Amount	%
Profit (loss) for the year	-2.522.804	158.266	-2.681.070	-1694,03%
<b>Total</b>	<b>-2.522.804</b>	<b>158.266</b>	<b>-2.681.070</b>	<b>-1694,03%</b>

	31/12/2021	31/12/2020
Profit (loss) for the year / Total assets ratio	-0,28%	0,018%



**Table 19.9 – Changes in 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
Saldi al 31.12.2018	20.880.080	-	-	58.395.668	14.378	-3.721.039	-3.800.645	-	14.831.669	86.600.111
Saldi al 31.12.2019	20.880.080	-	-	54.595.023	14.378	-1.656.680	-3.721.039	-	14.835.485	84.947.247
Saldi al 31.12.2020	20.880.080	-	-	50.873.984	14.378	158.266	-1.656.680	-	18.061.042	88.331.070
Saldi al 31.12.2021	20.880.080	-	-	49.248.958	140.990	-2.522.804	-	-	18.076.812	85.824.036

**Table 19.10 – Breakdown of public savings collection by business sector**

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			Amount	%
<b>A) Public Administrations</b>	46.506.755	40.835.895	5.670.860	13,89%
<b>B) Financial companies other than credit institutions</b>	55.987.662	67.456.159	-11.468.497	-17,00%
• Monetary financial institutions (excluding credit institutions)	-	-	-	-
• Investment funds other than money market funds	1.099.186	2.799.343	-1.700.157	-60,73%
• Other financial institutions	23.720.200	30.705.030	-6.984.830	-22,75%
• Insurance companies	31.168.276	33.951.786	-2.783.510	-8,20%
• Pension funds	-	-	-	-
<b>C) Non-financial companies</b>	133.465.726	118.645.823	14.819.903	12,49%
• of which subjects deleted from the register of authorized subjects	-	-	-	-
• Industry	60.863.714	55.875.625	4.988.089	8,93%
• Construction	2.281.853	2.050.195	231.658	11,30%
• Services	69.776.219	59.909.601	9.866.618	16,47%
• Other non-financial companies	543.940	810.402	-266.462	-32,88%
<b>D) Families and non-profit institutions serving families</b>	471.719.195	457.015.822	14.703.373	3,22%
• Consumer and producer families	461.013.860	448.644.970	12.368.890	2,76%
• Non-profit institutions serving families	10.705.335	8.370.852	2.334.483	27,89%
<b>E) Others</b>	2.683.194	-	-	-
<b>Total</b>	<b>710.362.532</b>	<b>683.953.699</b>	<b>26.408.833</b>	<b>3,86%</b>

As shown in the table above, the concentration of deposits mainly relates to the retail segment, highlighting the increase in funds deposited (+3.86%) is noteworthy.

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

### 20. Guarantees and commitments

Table 20.1 – Breakdown of “guarantees given”

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			Amount	%
A) Unsecured loans of a commercial nature	7.576.859	9.533.145	-1.956.286	-20,52%
B) Unsecured loans of a financial nature	615.500	799.521	-184.021	-23,02%
C) Assets pledged as collateral	1.333.281	1.333.281	-	-
• of third party bonds	1.333.281	1.333.281	-	-
• of own bonds	-	-	-	-
<b>Total</b>	<b>9.525.640</b>	<b>11.665.947</b>	<b>-2.140.307</b>	<b>-18,35%</b>

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	31/12/2021	31/12/2020	CHANGE	
			Amount	%
A) Unsecured loans of a commercial nature	7.576.859	9.533.145	-1.956.286	-20,52%
A1. Acceptances	48.948	121.667	-72.719	-59,77%
A2. Guarantees and endorsements	7.527.911	9.411.478	-1.883.567	-20,01%
A3. Strong patronage	-	-	-	-
A4. Others	-	-	-	-
B) Unsecured loans of a financial nature	615.500	799.521	-184.021	-23,02%
B1. Acceptances	-	-	-	-
B2. Guarantees and endorsements	615.500	799.521	-184.021	-23,02%
B3. Strong patronage	-	-	-	-
B4. Others	-	-	-	-
<b>Total</b>	<b>8.192.359</b>	<b>10.332.666</b>	<b>-2.140.307</b>	<b>-20,71%</b>

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

**Table 20.4 – Situation of unsecured loans to customers**

CATEGORIES / VALUES	31/12/2021			31/12/2020		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A) Doubtful loans	113.800	-	113.800	113.800	-	113.800
of which non-performing loans	-	-	-	-	-	-
of which substandard loans	113.800	-	113.800	113.300	-	113.300
of which restructured loans	-	-	-	500	-	500
of which past due / overdue loans	-	-	-	-	-	-
of which unsecured loans to "at risk" countries	-	-	-	-	-	-
B) Performing loans	8.078.559	-	8.078.559	10.218.866	-	10.218.866
<b>Total</b>	<b>8.192.359</b>	<b>-</b>	<b>8.192.359</b>	<b>10.332.666</b>	<b>-</b>	<b>10.332.666</b>

**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	31/12/2021	31/12/2020	CHANGES	
			Amount	%
A) Commitments to disburse funds for certain use	14.503.935	-	14.503.935	100,00%
of which financing commitments to be disbursed	-	-	-	-
B) Commitments to exchange financial instruments for certain use	-	-	-	-
C) Commitments to disburse funds for uncertain use	2.170.497	3.592.068	-1.421.571	-39,58%
of which passive margins usable on credit lines	2.170.497	3.592.068	-1.421.571	-39,58%
of which put options issued	-	-	-	-
D) Commitments to exchange financial instruments of uncertain use	-	-	-	-
E) Other commitments	1.309.862	-	1.309.862	100,00%
<b>Total</b>	<b>17.984.294</b>	<b>3.592.068</b>	<b>14.392.226</b>	<b>400,67%</b>

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
<b>1) Trading</b>	-	-	-
<b>1.1 Financial instruments</b>	-	-	-
• Purchases	-	-	1.055.393
• Sales	-	-	1.055.393
<b>1.2 Foreign currencies</b>	-	-	-
• Foreign currencies against foreign currencies	-	-	-
• Purchases against Euro	-	-	-
• Sales against Euro	-	-	-
<b>2) Deposits and financing</b>	-	-	-
• To be paid	-	-	-
• To be received	-	-	-
<b>3) Derivative contracts</b>	254.469	-	-
<b>3.1 With exchange of capital</b>	-	-	-
a) Securities	-	-	-
• Purchases	-	-	-
• Sales	-	-	-
b) Foreign Currencies	-	-	-
• Foreign currencies against foreign currencies	-	-	-
• Purchases against euro	-	-	-
• Sales against euro	-	-	-
c) Other values	-	-	-
• Purchases	-	-	-
• Sales	-	-	-
<b>3.2 Without capital exchange</b>	254.469	-	-
a) Foreign Currencies	-	-	-
• Foreign currencies against foreign currencies	-	-	-
• Purchases against euro	-	-	-
• Sales against euro	-	-	-
b) Other values	254.469	-	-
• Purchases	254.469	-	-
• 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 € 254,469.

The item purchases and sales of financial instruments includes the possible commitment to repurchase BKN301 Spa shares from managers under the agreement signed on 6 December 2021 for €517,500 and the commitment to subscribe to the last tranches of the Green Arrow Fund for €537,893 to be repaid from 1 September 2027.

**Table 20.9 – Financial derivatives**

CATEGORY OF TRANSACTIONS	Hedging	Trading	Other transactions
A) Derivative contracts	-10.127	-	-
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	-10.127	-	-
a) Foreign currencies	-	-	-
• Foreign currencies against foreign currencies	-	-	-
• Purchases against euro	-	-	-
• Sales against euro	-	-	-
b) Other values	-10.127	-	-
• Purchases	-10.127	-	-
• 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	31/12/2021	31/12/2020
<b>1) Asset management</b>	9.226.482	10.480.116
a) Customer asset management	9.226.482	10.480.116
of which liquidity	3.972.553	5.014.170
of which liquidity deposited with the reporting institution	3.972.553	5.014.170
of which debt securities	841.946	620.408
of which debt securities issued by the reporting entity	–	–
of which debt securities issued by other San Marino credit institutions	–	–
of which equity securities and Official Italian accounting board shares	4.411.983	4.845.538
of which equity securities issued by the reporting entity	–	–
b) Own portfolios managed by third parties	–	–
<b>2) Custody and administration of financial instruments</b>	669.238.651	648.162.976
a) Third party financial instruments on deposit	558.087.625	536.956.496
of which debt securities issued by the reporting entity	2.395.000	2.395.000
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	88.218.139	73.568.932
of which securities third-party financial instruments deposited with third parties	332.391.040	341.268.785
b) Proprietary financial instruments deposited with third parties	111.151.026	111.206.480
<b>3) Financial instruments, liquidity and other values related to the activity of depository bank</b>	135.544.162	116.112.309
a) Liquidity	7.626.467	7.165.957
of which liquidity deposited with the reporting institution	7.626.467	7.165.957
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	127.917.695	108.946.352
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 €111,151,026 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	31/12/2021	31/12/2020	CHANGE	
			Amount	%
Public Administrations	5.349.800	5.208.250	141.550	2,72%
Financial companies	371.770.788	349.263.659	22.507.129	6,44%
• Monetary financial institutions	-	-	-	-
• Investment funds other than money market funds	-	-	-	-
• Other financial institutions	176.509.657	161.160.061	15.349.596	9,52%
• Insurance companies	195.261.131	188.103.598	7.157.533	3,81%
• Pension funds	-	-	-	-
Non-financial companies	92.724.234	92.894.770	-170.536	-0,18%
• of which subjects deleted from the register of authorized subjects	-	-	-	-
• Industry	15.322.391	18.234.042	-2.911.651	-15,97%
• Construction	1.925.530	1.995.476	-69.946	-3,51%
• Services	18.308.241	17.685.357	622.884	3,52%
• Other non-financial companies	57.168.072	54.979.895	2.188.177	3,98%
Families and non-profit institutions serving families	218.716.274	201.607.115	17.109.159	8,49%
• Consumer and manufacturer families	216.336.307	199.774.693	16.561.614	8,29%
• Non-profit institutions serving families	2.379.967	1.832.422	547.545	29,88%
Others	303.153	-	-	-
<b>Total</b>	<b>688.864.249</b>	<b>648.973.794</b>	<b>39.890.455</b>	<b>6,15%</b>

**Table 21.4 – Trust activity**

DESCRIPTION	31/12/2021	31/12/2020
1. Movable assets	17.414.639	22.952.122
1.1. Financial instruments	14.765.494	18.305.599
1.2. Cash	2.649.145	4.646.523
2. Shareholdings	15.341.193	24.952.997
2.1. Units or shares in joint-stock companies	12.303.506	18.200.285
2.2. Shareholder financing	2.993.650	6.694.625
2.3. Cash	44.037	58.087
3. Financing to third parties	2.478.707	2.617.330
3.1. Financing	2.478.707	2.528.707
3.2. Cash	–	88.623
4. Other movable or intangible assets	–	–
4.1. Movable or intangible assets	–	–
4.2. Cash	–	–
5. Total fiduciary assets	35.234.539	50.522.449
5.1. of which total cash	2.693.182	4.793.233

As specified in paragraph “6. shareholdings (items: 70–80 of assets)”, BAC Trustee Spa (formerly Bac Fiduciaria Spa), following a change in the corporate purpose and its withdrawal from the related reserved activity, transferred en bloc, with effect from 01/01/2020, all the activities relating to the management of trust mandates to the parent company BAC.

**Table 21.5 – Assets held in the exercise of trustee function**

Data not present.

## Part C – Information on the profit and loss account

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

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

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			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	-132.267	-4.747	-127.520	2686,33%
B1. Active current accounts	-132.267	-6.598	-125.669	1904,65%
B2. Deposits	-	1.851	-1.851	-100,00%
B3. Other financing	-	-	-	-
of which on leasing transactions	-	-	-	-
C) Loans to customers	10.670.992	12.067.495	-1.396.503	-11,57%
C1. Active current accounts	2.346.082	3.325.835	-979.753	-29,46%
C2. Deposits	-	-	-	-
C3. Other financing	8.324.910	8.741.660	-416.750	-4,77%
of which on leasing transactions	2.430.127	2.244.438	185.689	8,27%
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)	1.008.828	916.497	92.331	10,07%
E1. Bonds	1.008.828	916.497	92.331	10,07%
E2. Other financial instruments	-	-	-	-
<b>Total</b>	<b>11.547.553</b>	<b>12.979.245</b>	<b>-1.431.692</b>	<b>-11,03%</b>

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 reduction in lending volumes and to the average Euribor market rates still in negative territory.

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

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			Amount	%
<b>A) On amounts due to credit institutions</b>	5.027	3.072	1.955	63,64%
<b>A1. Passive current accounts</b>	5.019	3.072	1.947	63,38%
<b>A2. Deposits</b>	8	–	8	100,00%
<b>A3. Other debts</b>	–	–	–	–
<b>B) On amounts due to customers</b>	664.275	694.684	–30.409	–4,38%
<b>B1. Passive current accounts</b>	484.005	479.928	4.077	0,85%
<b>B2. Deposits</b>	50.316	3.496	46.820	1339,24%
<b>B3. Other debts</b>	129.954	211.260	–81.306	–38,49%
<b>C) On debts represented by financial instruments towards credit institutions</b>	–	–	–	–
of which on certificates of deposit	–	–	–	–
<b>D) On debts represented by financial instruments towards customers</b>	2.051.502	2.306.833	–255.331	–11,07%
of which on certificates of deposit	2.051.502	2.306.833	–255.331	–11,07%
<b>E) On subordinated liabilities</b>	71.850	16.852	54.998	326,36%
of which on hybrid instruments of capitalization	–	–	–	–
<b>Total</b>	<b>2.792.654</b>	<b>3.021.441</b>	<b>–228.787</b>	<b>–7,57%</b>

The decrease in interest income was accompanied by a contraction in interest expense, due to a more efficient management of deposit rates; the reduction in the cost of funding is an important result achieved by the bank, in the presence of an increase in direct deposits volumes.

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

**Table 23.1 – Breakdown of item 30 “Dividends and other revenues”**

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			Amount	%
<b>A) On shares, stocks and other capital instruments</b>	920.000	–	920.000	100,00%
<b>B) On shareholdings</b>	–	150.000	–150.000	–100,00%
<b>C) On shareholdings in group companies</b>	574.642	1.007.687	–433.045	–42,97%
<b>Total</b>	<b>1.494.642</b>	<b>1.157.687</b>	<b>336.955</b>	<b>29,11%</b>

Item “30” includes dividends received in cash, in accordance with international and Italian accounting standards (OIC 21). Therefore, in 2021, under item A) we find the income credited on listed equity securities purchased during 2021, while under item C) we find the 2020 dividends recognized by the subsidiaries: from BAC Life Spa, amounting to €390,465; from BAC Trustee Spa, amounting to €141,902 and from BAC Investments SG Spa, amounting to €42,275.

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

Table 24.1 – Breakdown of item 40 “Commission income”

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			Amount	%
A) Guarantees given	87.334	98.399	-11.065	-11,25%
B) Credit derivatives	-	-	-	-
C) Investment services	599.717	520.519	79.198	15,22%
C1. Reception and transmission of orders (letter D1 Annex 1 LISF)	587.440	502.775	84.665	16,84%
C2. Execution of orders (letter D2 annex 1 LISF)				
C3. Portfolio management of financial instruments (letter D4 annex 1 LISF)	12.277	17.744	-5.467	-30,81%
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	1.242.611	1.098.813	143.798	13,09%
E1. Asset management	-	-	-	-
E2. Insurance products	369.250	362.000	7.250	2,00%
E3. Other services and products	873.361	736.813	136.548	18,53%
F) Collection and payment services	1.780.860	1.565.540	215.320	13,75%
G) Depository bank services	251.120	125.057	126.063	100,80%
H) Custody and administration of financial instruments	345.562	336.044	9.518	2,83%
I) Trust services	150.107	153.279	-3.172	-2,07%
L) Exercise of tax collectors and receivers	-	-	-	-
M) Currency trading	215.879	238.778	-22.899	-9,59%
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	1.718.790	1.781.009	-62.219	-3,49%
<b>Total</b>	<b>6.391.980</b>	<b>5.917.438</b>	<b>474.542</b>	<b>8,02%</b>

Total commission income showed a significant increase compared to the previous year (+8.02%), confirming customers' appreciation of the services offered by the bank.

**Table 24.2 – Breakdown of item 50 “Commission expense”**

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			Amount	%
A) Guarantees given	-	-	-	-
B) Credit derivatives	-	-	-	-
C) Investment services	376.149	366.165	9.984	2,73%
C1. Reception and transmission of orders (letter D1 annex 1 LISF)	259.587	261.135	-1.548	-0,59%
C2. Execution of orders (letter D2)	78.502	63.367	15.135	23,88%
C3. Portfolio management of financial instruments (letter D4 annex 1 LISF)	-	349	-349	-100,00%
• Own portfolio	-	-	-	-
• Third party portfolio	-	349	-349	-100,00%
C4. Placement of financial instruments (letters D5 and D6 annex 1 LISF)	38.060	41.314	-3.254	-7,88%
D) Off-site offer of financial instruments, products and services	-	-	-	-
E) Collection and payment services	949.515	743.794	205.721	27,66%
F) Commissions to distributors	-	-	-	-
G) E-money	-	-	-	-
H) Issue / management of credit cards / debit cards	-	-	-	-
I) Other services	49.890	70.553	-20.663	-29,29%
<b>Total</b>	<b>1.375.554</b>	<b>1.180.512</b>	<b>195.042</b>	<b>16,52%</b>

At the same time as the increase in commission income, there was also an increase in commission expense; a breakdown of this shows an increase in collection and payment commissions.

**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	31/12/2021			
	Transactions on financial instruments	Transactions on currencies	Transactions on metals and precious metals	Other transactions
A1. Revaluations	-	-	-	-
A2. Write-downs	402.867	-	-	-
B. Other Profits / Losses	-1.179.048	280.453	-	-
<b>Total</b>	<b>-1.581.915</b>	<b>280.453</b>	<b>-</b>	<b>-</b>
<b>Overall total</b>	<b>-1.301.462</b>			
Government bonds	-1.836.735			
Other financial debt instruments	-224.601			
Equity financial instruments	479.421			
Derivative contracts on financial instruments	-			
<b>Total</b>	<b>-1.581.915</b>			

Item 60 includes the net result of trading in financial assets and currencies on behalf of customers, as well as the management of the Bank's trading portfolio. Compared to the previous year, the securities management result showed a negative contribution, attributable to the strong volatility in the market, due to the continuation of the COVID19 pandemic and the changes in monetary policies undertaken by the main central banks in Europe and the United States, with a consequent strong penalisation of fixed-rate financial instruments with a high duration; the (interest rate and inflationary) scenario that emerged in 2021 led the bank to reduce its securities portfolio so as not to incur greater future losses. Compared to the total amount of securities under management, the incidence of losses was equal to 1.87% of the portfolio in stock as of 31/12/2021. Lastly, if the capital gains realised in 2020 following the transfer of these securities to the free portfolio were also taken into account, the operation as a whole showed a positive performance of €1,660,529.

## 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	31/12/2021	31/12/2020	CHANGE	
			Amount	%
Other operating income	-	-	-	-
• Rental income on real estate	1.195.951	911.898	284.053	31,15%
• Recovery of insurance expenses	19.656	22.408	-2.752	-12,28%
• Commissions income on reports	203.942	80.694	123.248	152,74%
• Miscellaneous expense recoveries	46.404	42.457	3.947	9,30%
• Share capital leasing fees	10.100.386	9.460.537	639.849	6,76%
<b>Total</b>	<b>11.566.339</b>	<b>10.517.994</b>	<b>1.048.345</b>	<b>9,97%</b>
Other operating expenses	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

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	31/12/2021			31/12/2020		
	Average	Personnel expenses	Number	Average	Personnel expenses	Number
A) Managers	22,17	2.009.185	23	23,08	2.112.071	22
B) Administrative staff	14,92	1.152.345	14	16,00	1.209.542	16
C) Remaining personnel	76,67	4.614.385	76	78,75	4.761.704	77
C1. Employees	76,67	4.614.385	76	78,75	4.761.704	77
C2. Other personnel	-	-	-	-	-	-
<b>Total</b>	<b>113,76</b>	<b>7.775.915</b>	<b>113</b>	<b>117,83</b>	<b>8.083.317</b>	<b>115</b>

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.

We highlight the constant pursuit of cost rationalisation: compared to the previous year, total personnel costs, not including emoluments, decreased by €307,402, against an algebraic reduction in the number of employees of 2 units.

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

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			Amount	%
Other administrative expenses	4.412.894	4.879.415	-466.521	-9,56%
of which fees to independent auditors	58.916	58.270	646	1,11%
of which fees for services other than auditing the financial statements				
of which other	4.353.978	4.821.145	-467.167	-9,69%
• Expenses for professional services	555.352	731.233	-175.881	-24,05%
• Expenses for the purchase of non-professional goods and services	1.164.714	1.297.625	-132.911	-10,24%
• Rents and fees	1.550.241	1.746.068	-195.827	-11,22%
• Insurance premiums	170.344	178.865	-8.521	-4,76%
• Supervisory charges	531.580	543.307	-11.727	-2,16%
• Charity and sponsorship expenses	16.047	18.450	-2.403	-13,02%
• Indirect taxes and duties	191.999	207.184	-15.185	-7,33%
• Depositors guarantee fund contribution	173.701	98.413	75.288	76,50%

The trend of containing other administrative expenses continued, with a further reduction compared to the previous year (-9.56%), thanks to careful cost management and control.

**Table 27.3 – Remuneration**

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			Amount	%
A) Directors	117.628	85.556	32.072	37,49%
B) Auditors	76.112	73.195	2.917	3,99%
C) Management	248.292	174.937	73.355	41,93%
<b>Total</b>	<b>442.032</b>	<b>333.688</b>	<b>108.344</b>	<b>32,47%</b>

This table details the remuneration paid to Directors and Statutory Auditors for the positions held in the Bank, including attendance fees, as well as the remuneration paid to Management, i.e., General Manager, Deputy General Manager, who was hired in the second half of 2021, and other Key Managerial Personnel, the latter not being present.

### Breakdown of sub-item “Other personnel expenses”

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			Amount	%
Other personnel expenses	38.862	20.529	18.333	89,30%
of which training costs	-	-	-	-
of which other	38.862	20.529	18.333	89,30%
• Reimbursement of expenses and travel	9.743	7.397	2.346	31,72%
• Miscellaneous expenses	17.629	13.132	4.497	34,24%
• Reimbursement of expenses and travel for directors and auditors	11.490	-	11.490	100%

As from 2021, in accordance with the instructions of the Supervisory Authority, expenses relating to directors and statutory auditors, other than the remuneration approved by the Shareholders' Meeting, incurred directly or indirectly, such as, for example, reimbursement of directors' and statutory auditors' expenses, must be accounted for under the sub-item “other personnel expenses”. Therefore, the items shown in the table include these charges and justify the increase in the year under review.

## 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	31/12/2021	31/12/2020	CHANGE	
			Amount	%
<b>A) Intangible fixed assets</b>	197.484	236.426	-38.942	-16,47%
of which on leased assets	49.366	41.657	7.709	19%
of which on other intangible fixed assets	148.118	194.769	-46.651	-23,95%
• Software	59.185	75.980	-16.795	-22,10%
• Studies, research and training	28.289	36.792	-8.503	-23,11%
• Various multi-year costs	15.344	40.184	-24.840	-61,82%
• Accommodation expenses for rent	3.487	-	3.487	100,00%
• Concession rights and works of the underpass	41.813	41.813	-	0,00%
<b>Total</b>	<b>197.484</b>	<b>236.426</b>	<b>-38.942</b>	<b>-16,47%</b>
<b>B) Tangible fixed assets</b>	11.302.337	12.063.062	-760.725	-6,31%
of which on leased assets	10.007.893	9.389.384	618.509	6,59%
of which on other tangible fixed assets	1.294.444	2.673.678	-1.379.234	-51,59%
• Mobile, safes and systems	56.973	90.756	-33.783	-37,22%
• Electronic machines	65.609	75.631	-10.022	-13,25%
• Motor vehicles	-	-	-	-
• Real estate and land	944.344	2.499.656	-1.555.312	-62,22%
• Equipment and machinery	9.518	7.635	1.883	24,66%
• Other activities	218.000	-	218.000	100,00%
<b>Total</b>	<b>11.302.337</b>	<b>12.063.062</b>	<b>-760.725</b>	<b>-6,31%</b>

The contributions to the various amortization funds of the assets functional to the fiscal year constitute the sum of the shares accrued in 2021, 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%
Furniture, safes and installations	15%
Electronic Machines	20%
Vehicles	20%
Software	20%
Rental accommodation expenses	20%
Studies, research, training and miscellaneous	20%
Concessionary rights and underpass works	3%

Depreciation and amortization rates also include the principal amounts, accrued during the year, relating to lease payments for assets under finance leases, recorded at the same time as income in “other operating income”, as required by CBSM Regulation 2016–02, art.IV.V.5.

In 2021, in addition to the adjustments for depreciation, write-downs of €218,000 were made on non-instrumental owned fixed assets available for collection, in order to align their book value with the updated appraisals.

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

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			Amount	%
Provisions (relating to the sub-item “Other provisions” of liabilities)	-	-	-	-
Provisions for charges, disputes and litigation	70.225	31.660	38.565	121,81%
<b>Total</b>	<b>70.225</b>	<b>31.660</b>	<b>38.565</b>	<b>121,81%</b>

Provisions for risks and charges” amounting to €70,225 were set aside on the basis of a precise update on the loss forecasts of outstanding disputes.

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

Data not present.

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

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			Amount	%
<b>A) Value adjustments on loans</b>	9.567.017	7.959.000	1.608.017	20,20%
of which:	-	-	-	-
• Lump-sum adjustments for country risk	-	-	-	-
• Other lump sum adjustments	239.896	608.112	-368.216	-60,55%
<b>B) Provisions for guarantees and commitments</b>	-	-	-	-
of which:	-	-	-	-
• Lump-sum provisions for country risk	-	-	-	-
• Other lump-sum provisions	-	-	-	-
<b>Total</b>	<b>9.567.017</b>	<b>7.959.000</b>	<b>1.608.017</b>	<b>20,20%</b>

According to the provisions of CBSM Regulation 2016-02, and as already explained in the relevant sections of the Explanatory Notes to the accounts, the Bank is required to make analytical write-downs based on the solvency of individual debtors and flat-rate write-downs in relation to the performance of the economic sector to which the debtor belongs and the country of reference. The write-downs made in 2021 raised the allowance for loan losses to a value considered appropriate with the analytical write-downs related to the loss forecasts of individual debtors and with the flat-rate write-downs established, as mentioned above, based on the sector of economic activity and country risk; these write-downs generate a coverage of cash loans of 17.01%, compared to 18.07% in 2020.

Net adjustments to loans and provisions for guarantees and commitments amounted to € 4,539,599, composed as follows: €9,567,017 for provisions and adjustments to loans (Table 28.4), €5,027,418 for write-backs from collections and valuations (Table 28.6). It should be noted that in 2021, 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 CBSM, for €4,581,762, following the conclusion, in 2019, with the Supervisory Authority of the definition of the Adjustments resulting from the Asset Quality Review (AQR) exercise.

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

DESCRIPTION	31/12/2021		31/12/2020		CHANGE	
	Analytics	Flat-rate	Analytics	Flat-rate	Amount	%
<b>A) Total write-downs of cash loans</b>	9.327.121	239.896	7.350.888	608.112	1.608.017	20,20%
<b>A1. Write-down of loans – non-performing loans</b>	7.738.091	–	5.975.729	–	1.762.362	29,49%
<b>A2. Write-down of loans – substandard loans</b>	463.345	–	428.547	–	34.798	8,12%
<b>A3. Write-down of loans – other loans</b>	1.125.685	239.896	946.612	608.112	–189.143	–12,17%
<b>B) Total cash loan losses</b>	–	–	–	–	–	–
<b>B1. Non-performing loans</b>	–	–	–	–	–	–
<b>B2. Substandard loans</b>	–	–	–	–	–	–
<b>B3. Other loans</b>	–	–	–	–	–	–
<b>Total value adjustments on cash loans (A + B)</b>	<b>9.327.121</b>	<b>239.896</b>	<b>7.350.888</b>	<b>608.112</b>	<b>1.608.017</b>	<b>20,20%</b>
<b>C) Total provisions for guarantees and commitments</b>	–	–	–	–	–	–
<b>C1. Guarantees</b>	–	–	–	–	–	–
<b>C2. Commitments</b>	–	–	–	–	–	–
<b>Grand total (A+B) + C</b>	<b>9.327.121</b>	<b>239.896</b>	<b>7.350.888</b>	<b>608.112</b>	<b>1.608.017</b>	<b>20,20%</b>
<b>Totale</b>		<b>9.567.017</b>		<b>7.959.000</b>		

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

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			Amount	%
Value recovery	5.027.418	2.064.973	2.962.445	143,46%
of which on non-performing loans	3.727.105	1.525.508	2.201.597	144,32%
of which on substandard loans	577.775	228.247	349.528	153,14%
of which on other loans	722.538	311.218	411.320	132,16%

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

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			Amount	%
Value adjustments	611.422	-	611.422	100,00%
of which on equity investments	8.519	-	8.519	100,00%
of which on equity investments in subsidiaries	8.519	-	8.519	100,00%
of which on equity investments in associated companies	-	-	-	-
of which on equity investments valued at net equity	-	-	-	-
of which on other capital financial instruments	602.903	-	602.903	100,00%
of which on other debt financial instruments	-	-	-	-
of which on other derivative financial instruments	-	-	-	-

The value adjustments that affected the Tower Credit Opportunities (TCO) Fund are a direct consequence of its liquidation and extinction, as well as the assignment of the underlying Green Arrow Private Debt Fund to the bank; the amount of €8,519 is added to this significant value adjustment to cover the 2020 loss of the investee BAC Real Estate Srl. TCO, acquired by the bank in 2017, had a high-cost structure. The liquidation and extinguishment transaction, concluded in 2021, will allow in the coming years to optimize the expected returns on the investment.

**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	31/12/2021	31/12/2020	CHANGE	
			Amount	%
Extraordinary income	-	-	-	-
• Contingent assets	44.124	146.102	-101.978	-69,80%
• Receipts on positions passed to losses	112.647	50.677	61.970	122,28%
• Termination of customer relations	89	71	18	25,35%
• Release of the complaints and revocatory fund	-	92.800	-92.800	100,00%
• Other extraordinary income	446.517	400	446.117	111.529,25%
• Capital gain on transfer of securities from investment portfolio to free prot. 20/13417	706.841	2.939.084	-2.232.243	-75,95%
• Detection of deferred tax assets law 154 / 2019	-	506.158	-506.158	-100,00%
<b>Total</b>	<b>1.310.218</b>	<b>3.735.292</b>	<b>-2.425.074</b>	<b>-64,92%</b>
Extraordinary charges	-	-	-	-
• Discounting of fixed assets from transferred securities	104.073	99.531	4.542	4,56%
• Repayment of interest income, commissions	9.939	4.962	4.977	100,30%
• Termination of customer relations	16.521	9.430	7.091	75,20%
• Other extraordinary charges	90.855	100.705	-9.850	-9,78%
<b>Total</b>	<b>221.388</b>	<b>214.628</b>	<b>6.760</b>	<b>3,15%</b>

It should be noted that other extraordinary income includes:

- €233,884 for the reimbursement from the Inland Revenue in application of the Conventional regime on double taxation signed in 2013, for withholding taxes on Italian securities unduly applied during 2014, as already extensively described in the paragraph on the Taxes and Duties Fund.
- €627,574 for profit from the transfer and sale of own 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”.
- €12,380 for gains on disposal of subordinated securities.
- €66,886 for trading discounts on subordinated securities sold.

While other extraordinary expenses include:

- Losses on disposal of subordinated securities for €104,072.

The sale of these subordinated securities generated a net loss of €24,806.

### Breakdown of the item “Income taxes for the year”

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
			Amount	%
Income taxes for the year	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

It should be noted that taxes for the year have not been recorded as the tax balance sheet, pursuant to Law no.154 of 3 October 2019, art.11, will benefit from decreasing tax changes (dividends distributed, taxed surpluses on the provision for bad debts, 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, if franked, in the same way as has already occurred for the 2019 and 2020 tax losses.

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

Data not present.

## Part D – Other information

### 31. Prudential aggregates

Table 31.1 – Prudential aggregates

DESCRIPTION	31/12/2021
	Amount
A) Supervisory capital	42.059.470
A1. Core capital	34.720.180
A2. Supplementary capital	19.639.239
A3. Elements to be deducted	12.299.949
A4. Supervisory capital	42.059.470
Risk activities and supervisory ratios	
B1. Risk-weighted assets	326.154.230
C2. Supervisory capital / risk-weighted assets	12,90%

In the drafting of the prudential aggregates, the indications of CBSM Regulation 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, still in suspension, for the purposes of the statutory financial statements, for 2021, for 7/10 were allocated to the item “Other Assets” for €32,072,332 (pursuant to art.40 of Law no.173 of 24 December 2018 and as per the application authorized by Central Bank Prot.20/5553 of 19/06/2020) and were fully deducted from Regulatory Capital. The new method of calculating regulatory capital, with effect from 31/12/2019, showed a solvency ratio of 12.90%, above the required regulatory minimums of 11%, and an increase of 2.79 percentage points compared to 31/12/2020, where it stood at 10.11%.

### 32. Major risks and related parties

Table 32.1 – Major risks

DESCRIPTION	31/12/2021	31/12/2020	CHANGE	
		Proforma	Absolute	%
Amount	99.792.271	135.267.865	-35.475.594	-26,23%
Number	16	22	-6	-27,27%

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, deducted from the prudential supervisory report at the reference date of 31/12/2021.

**Table 32.2 – Risks to related parties**

DESCRIPTION	31/12/2021	31/12/2020		
		Proforma	Absolute	%
Amount	18.285.381	14.579.882	3.705.499	25,42%
Number	7	7	-	-

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 31/12/2021.

## 33. Time distribution of assets and liabilities

Table 33.1 – Time distribution of assets and liabilities

ITEMS / REMAINING DURATIONS 31/12/2021	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 18 months to 2 years		From over 2 to 5 years		Over 5 years		Maturity not attributed
						F	T	F	T	F	T	F	T	
						<b>1) Assets</b>	619.737.126	227.757.919	33.150.791	15.938.121	21.461.610	3.376.455	12.687.405	
<b>1.1</b> Treasury securities and other financial instruments eligible for refinancing with Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>1.2</b> Loans to credit institutions	182.078.479	155.100.534	2.160.928	-	-	-	-	-	-	-	-	-	-	24.817.017
<b>1.3</b> Loans to customers	344.352.908	70.006.298	22.774.720	12.077.723	15.735.861	784.832	12.687.405	644.632	12.831.045	2.260.971	60.545.652	1.127.013	89.367.466	43.509.290
<b>1.4</b> Bonds and other debt financial instruments	65.795.804	-	-	-	200.133	2.005.088	-	-	-	34.314.818	-	29.275.765	-	-
<b>1.5</b> Off-balance sheet transactions	27.509.935	2.651.08	8.215.143	3.860.398	5.525.616	586.535	-	1.368.129	-	1.032.850	-	4.270.177	-	-
<b>2) Liabilities</b>	739.100.500	473.201.653	50.778.163	76.996.795	57.999.301	51.289.654	278.653	13.304.547	100.117	9.904.566	390.339	4.270.177	-	-
<b>2.1</b> Due to credit institutions	1.228.033	1.228.033	-	-	-	-	-	-	-	-	-	-	-	-
<b>2.2</b> Due to customers	512.022.575	468.476.40	1.844.579	32.601.033	9.100.561	-	-	-	-	-	-	-	-	-
<b>2.3</b> Payables represented by financial instruments	195.251.102	158.264	40.718.441	39.574.969	43.373.124	51.289.654	278.653	11.456.220	100.117	7.911.321	390.339	-	-	-
• Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
• Certificates of deposit	195.251.102	158.264	40.718.441	39.574.969	43.373.124	51.289.654	278.653	11.456.220	100.117	7.911.321	390.339	-	-	-
• Other financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>2.4</b> Other liabilities: cheques in circulation	687.867	687.867	-	-	-	-	-	-	-	-	-	-	-	-
<b>2.5</b> Subordinated liabilities	2.400.988	-	-	960.395	-	-	-	480.198	-	960.395	-	-	-	-
<b>2.6</b> Off-balance sheet transactions	27.509.935	2.651.087	8.215.143	3.860.398	5.525.616	586.535	-	1.368.129	-	1.032.850	-	4.270.177	-	-

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

Table 36.1 – Amounts of money transfers

TYPE OF TRANSACTION	31/12/2021				31/12/2020			
	Transaction amount	Number of transactions	Commissions received	Expense recoveries	Transaction amount	Number of transactions	Commissions received	Expense recoveries
Credit cards	-	-	-	-	-	-	-	-
Debit cards	65.456.580	852.450	22.631	20.444	59.053.079	720.574	19.545	21.464
E-money	1.191.550	33.019	1.596	11.037	932.526	25.118	2.361	8.257
<b>Total</b>	<b>66.648.130</b>	<b>885.469</b>	<b>24.226</b>	<b>31.480</b>	<b>59.985.605</b>	<b>745.692</b>	<b>21.906</b>	<b>29.721</b>

Table 36.4 – Data relating to acquiring activities

DESCRIPTION	Number	Amount
<b>P.O.S.</b>		
Number of Points of Sale (P.O.S.) affiliated with the reporting entity	546	-
Number of merchants contracted with the reporting institution	430	-
Payment transactions at merchants affiliated with the reporting institution	429.598	28.933.191
<b>A.T.M.</b>		
Number Automatic Teller Machines (A.T.M.) operated by the reporting institution	11	-
Withdrawal transactions at A.T.M. operated by the reporting institution	99.704	20.572.210
Transactions at A.T.M. operated by the reporting institution other than withdrawal transactions	2.187	51.935

## 37. Further information on sanctions imposed during the year

By letter Prot.32/3470 dated 4 April 2022, CBSM instructed the authorized parties to provide adequate information on any sanctions imposed during the year by the Supervisory Authority.

Pursuant to the aforementioned communication, the sanctions imposed by the Supervisory Authority during 2021 are set out below:

- €69,061 imposed on natural persons responsible for the violations, for which the authorised party is jointly and severally liable with the obligation to pay compensation;

- €132,600 imposed on BAC as an authorized party. The Bank has paid the fines attributed to it by exercising the right of oblation, for an amount of €66,150, recorded under contingent liabilities.

For the sanctions for which CBSM has ordered publication, pursuant to art. 32 of Law 96/2005, the table below shows the additional information required by the Supervisory Authority, i.e., the period of reference of the violation and the nature of the violation ascertained.

Sanction recipient	Nature of sanction	Amount paid-up	Amount imposed	Year of reference
Authorized person	Irregularities in the credit evaluation, disbursement and monitoring process in the year 2019 in violation of Part VII (Prudential Supervision), Title IX (Organizational Adequacy), Chapter III (Risks) of Regulation 2007-07.	6.750	13.500	2019
	Irregularities in the formation of corporate groups and consequent non-deduction from the supervisory capital in the 2019-2020 period, in violation of Article VII.II.4 paragraph 4, Article I.I.2 paragraph 1, items 32, 38, 55 and 83, Articles VII. IV.1, VII.V.4, and VII.IX.11, paragraph 8, of Regulation 2007-07, as well as point 8.7 of Circular 2012-03	25.000	50.000	2019-2020
Former corporate officer	Irregularities in the formation of corporate groups and consequent non-deduction from the supervisory capital in the 2019-2020 period, in violation of Article VII.II.4 paragraph 4, Article I.I.2 paragraph 1, items 32, 38, 55 and 83, Articles VII. IV.1, VII.V.4, and VII.IX.11, paragraph 8, of Regulation 2007-07, as well as point 8.7 of Circular 2012-03	22.500	45.000	2019-2020
<b>Total</b>		<b>54.250</b>	<b>108.500</b>	

With reference to the overall sanctions imposed during the year, the Bank took prompt action to remove the findings formally issued by the Supervisory Authority and for which three sanction proceedings were subsequently commenced.

It should be noted that all ascertained violations refer to audits carried out in 2019 and 2020, for circumstances in some cases relating to even earlier time periods. The immediate implementation of the Supervisory Authority's indications allows the bank to consider the contested episodes definitively over.

San Marino, 03/05/2022

The General Manager

The Chairman of the Board of Directors

# 06

## Auditors' report





*Dott. Vanessa Tavolini*

*Dott. Giorgio Rusticali*

*Avv. Dennis Beccari*

*Board of Statutory Auditors  
Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.*

**BOARD OF STATUTORY AUDITORS' REPORT**

**To the financial statements for the year ended as of 31 December  
2021 pursuant to Article 83 of Law 47/2006, as amended.**

By

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

With registered office in Dogana (RSM), Via Tre Settembre n. 316,  
registered under no. 5422 in the Register of Companies  
and also, under no. 48 of the Register of Authorized Persons,  
Economic Operator Code SM00087, share capital €20,880,080 fully  
paid up.

Dear Shareholders' Meeting,

this Report reports the conclusions of the audit activity carried out by the Board of Statutory Auditors and the information on the financial statements for the year ended as of 31 December 2021 of Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A. (hereinafter also "BAC" or "Bank"), in accordance with Article 83 of Law No. 47 of 23 February 2006, as amended, thus reporting the conclusions of the audit activity carried out.

In two separate meetings, the Shareholders' Meeting, following voluntary resignations, appointed a new Chairman of the Board of Statutory Auditors and a new Statutory Auditor, based on the determinations set forth in Regulation 2020-01.

This report, which is presented to the Shareholders' Meeting, includes those news, data, and information that the undersigned Board of Statutory Auditors felt it wished to render to the Bank's shareholders.

The Board has reviewed the financial statements for the year ended as of 31 December 2021, which have been prepared by the Directors and communicated by them to the Board, within the terms of the Law, together with the management report.

As of the date of the individual members' assumption of office, we have carried out the activity entrusted to us and have supervised compliance with the law and the articles of association, in

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Avv. Dennis Beccari

Board of Statutory Auditors  
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accordance with the principles of proper administration, the adequacy of the internal control system and the administrative-accounting system, as well as the reliability of the latter in correctly representing management events on the ways in which the rules of corporate governance are actually implemented.

We give an account of this activity with this report that we are presenting to the Assembly.

**I. CORPORATE GOVERNANCE**

The Shareholders' Meeting held on 23 June 2021 renewed the Board of Directors, which had come to a natural end, for the next three years, based on the so-called fit and proper regulations issued by the Central Bank in Regulation 2020-01. Subject to the confirmation of one director appointed in 2020, thus falling within the limits of tenure, new corporate officers (Chairman, Vice Chairman and two directors) were appointed.

The process of top management renewal, which began in 2019 with the appointment of the General Manager, saw the appointment of the Deputy General Manager during the 2021 financial year.

24 meetings of the Board of Directors were held in 2021.

The Anti-Money Laundering Committee met 5 times, the Credit Committee 35 times, the Management Committee 3 times, the Finance Committee 6 times, the Risk Committee 5 times, and the Credit Impairment Committee 4 times.

**II. SUPERVISORY ACTIVITIES CARRIED OUT.**

During the financial year ended as of 31 December 2021, the Board of Statutory Auditors met 30 times, 8 of which were attributable to the undersigned Board of Statutory Auditors as last resolved at the General Shareholders' Meeting held on 13 October 2021.

On 5 July 2021 and 22 October 2021, the Board of Statutory Auditors carried out, and transmitted the self-assessment documents of the requirements of honorability, professionalism, and independence under Part IV, Title II of BCSM Regulation 2007-07, as supplemented by the criteria of fairness and competence provided for in Article 1 of CBSM Regulation 2020-01 of the new members of the Board of Statutory Auditors to the Board of Directors and Central Bank.

There were no situations during the 2021 financial year that required the issuance of mandatory opinions by the Board of

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Statutory Auditors in accordance with current corporate regulations, nor does the Auditing Firm appear to have been called upon to express such opinions.

The Bank did not receive any inspection reports from the Financial Intelligence Agency or from the Central Bank during the year.

The Board has fulfilled its obligations under Article VII.I .9, first paragraph, of the Banking Regulations 2007 07 et seq.

Supervisory activities in all the forms provided for by the legal provisions also involved the direct involvement of the General Management, the various corporate functions as well as the control functions.

The Board of Statutory Auditors attended all the meetings of the Board of Directors, obtaining, in compliance with the regulations in force, appropriate information on the general performance of operations and its foreseeable evolution, as well as on the most significant operations, in terms of their 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

- that it has examined the general aspects, management processes and methods of measuring the risks inherent in and related to the Bank's activities, as well as their suitability and effectiveness to cope with the occurrence of serious, persistent, widespread and generalized difficulties
- to have followed the evolution of management in accordance with the strategic objectives set, as well as the evolution of organizational changes consistent with the aforementioned objectives, verifying, also through periodic analysis and checks, that the constant adaptation of the information apparatus was maintained.

As for the system of internal controls, it is acknowledged that it is periodically subject to reconnaissance and adjustment in relation to the evolution of corporate operations and the reference context. Internal audit activities are carried out by the Internal Audit function, which reports the results of its activities

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directly to the Board of Directors and the Board of Statutory Auditors.

The Board of Statutory Auditors has constantly interacted with all control functions.

The Board of Statutory Auditors confirms that the control functions are autonomous and independent and represent an effective legality safeguard for the Bank.

It is acknowledged that during the year an in-depth audit was carried out with the help of external auditor (Parente partners, hereinafter the "Consultant") on the functionality of the system of internal controls, in order to identify the necessary interventions with the aim of strengthening its effectiveness.

The Consultant carried out an "assurance" activity of the second and third level controls aimed at assessing the level of adequacy of the system of internal controls.

The analysis activity was carried out according to three main drivers

- *Positioning*, i.e., planting of control functions
- *Process*, operation of control functions
- *People*, self-assessment of the quantity and quality of resources incardinated in the corporate control functions.

The Consultant, downstream of the activities carried out, considered

- the system of controls sufficiently functional
- the defined structures, appropriately staffed and placed at an appropriate hierarchical level to ensure their independence.

The Consultant also indicated an intervention to align and refine the provisions and a better regulation of information flows so as to form an organic, mapped and, as far as possible, standardized system.

The Board of Statutory Auditors, having analyzed the assessment agreed with the methodology adopted and appreciated the technical rigor with which the work was carried out, confirmed the positive assessment of the work done and agreed with the conclusions.

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The Bank, based on the suggestions made by the Consultant, prepared an action plan, which was monitored by the Board of Directors and the Board of Statutory Auditors.

The actions under the plan are nearing completion.

The Board of Statutory Auditors, in light of the findings obtained and the supervisory activity carried out, considers the system of internal controls to be substantially adequate to the Bank's characteristics and to meet the requirements of efficiency and effectiveness in the control of risks and compliance with internal and external procedures and regulations.

The Board has also assessed, 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 auditing firm.

The Board of Statutory Auditors also carried out its oversight of Bac's dealings with related and connected parties. From the findings of the Heads of Internal Control Functions we can report that:

- to date, no situations have been encountered such as to incur risks of non-compliance with regulations and no particular critical issues have been found during the year that have required corrective action in this respect, so that the set of safeguards and procedures appears functional to preventing the risk of non-compliance with regulations;
- the controls are considered adequate with respect to the purpose of verifying the correct master census, updates and connections with Related Parties and Related Persons;

The Board acknowledges that during the financial year no complaints were received pursuant to Article 65 of Law 47/2006, as amended, and that the supervisory activity was carried out in a normal manner and that no significant facts emerged from it such as to require reporting here.

Furthermore, it is acknowledged that during the 2021 financial year there were no complaints or reports brought to the attention of the Board by the Auditing Firm.

Dott. Vanessa Tavolini

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Board of Statutory Auditors  
Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.

Finally, it is acknowledged that on 8 March 2022, meetings were held with the auditing bodies of the subsidiaries.

### III. FINANCIAL STATEMENTS

As far as the control of proper bookkeeping and the correct recording of operating events in the accounting records is concerned, as well as the verification of the correspondence between the information in the financial statements and the results in the accounting records and the conformity of the annual financial statements with the regulations of the Law, it should be noted that these tasks are entrusted to the auditing firm AB&D S.p.A.

The Board of Statutory Auditors has supervised the general approach given to the same, its general compliance with the Law as regards its formation and structure, and in this regard has no particular observations to report.

We believe that the information provided to the Shareholders' Meeting meets the requirements and contains a faithful, balanced and comprehensive analysis of the Bank's situation, performance and results of operations.

We have reviewed the draft Financial Statements for the year ended as of 31 December 2021, consisting of the Statement of Assets and Liabilities, Profit and Loss Account, and Explanatory Notes to the financial statements, made available to us together with the Board of Directors' Report on Operations, and accordingly, we report the following.

The Bank's Equity as of 12/31/2021 amounts to € 85,824,035 and consists of the share capital of € 20,880,080, ordinary or legal reserves of €49,248,958, reserve for own shares or quotas of € 14,378, other reserves of €126,612, revaluation reserves of € 18,076,812 and a loss of €2,522,804 for the year.

The Supervisory Limits, which are punctually represented and described in the Financial Statements documents, show a total capital ratio of 12.90 for the year 2021, an improvement compared to 31 December 2020 and higher than the minimum limit of 11 required by Regulation 2007-07 (as amended).

Regulatory Capital, determined in accordance with the provisions of the Supervisory Authority, stands at €42.059m. In the year just

Dott. Vanessa Tavolini

Dott. Giorgio Rusticali

Avv. Dennis Beccari

Board of Statutory Auditors  
Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.

ended, the Bank shows no shortfall in capital for Prudential Supervisory purposes.

Net loans to customers as of 31 December 2021 amounted to €344.352m, a decrease of €29.357m from the previous year.

Gross impaired loans as of the end of 2021 stood at €142.636m, down €18.075m (-11.25 %) from the previous year.

During the year, BAC continued its policy of close monitoring and recovery on non-performing positions leading to the highlighted contraction.

Overall, total loans to customers amounted to a nominal €414.914m, against which value adjustments of €70.561m were made; the overall coverage ratio of loans to customers was 17.01, compared to 18.07 as of 31/12/2020.

The profit and loss account for the 2021 financial year closed with a negative result of €2,522,804, a sharp decrease from the previous year.

On 9 May 2022, the auditing firm AB&D S.p.A. issued its report on the financial statements with a positive opinion and a call for information. More specifically, it expressed the following opinion:

*In our opinion, the statutory financial statements give a true and fair view of the financial position of BANCA AGRICOLA COMMERCIALE ISTITUTO BANCARIO SAMMARINESE S.p.A. as of 31/12/2021 and of the results of its operations for the year then ended in accordance with San Marino regulations, including Regulation 2016-02 issued by the Central Bank of the Republic of San Marino, which govern their preparation criteria ;*

The audit report also contains the following points of information:  
*Without modifying our opinion, we draw attention to the information contained and in greater detail in the Management Report and the Explanatory Notes to the financial statements regarding the following significant events.*

- *The financial statements as of 31/12/2021 have been prepared by continuing the accrual of adjustments resulting from the AQR (Asset Quality Review) exercise allowed 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*

Dott. Vanessa Tavolini

Dott. Giorgio Rusticali

Avv. Dennis Beccari

Board of Statutory Auditors  
Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.

*process, the suspended value adjustments, recorded in asset item 130 Other assets as of 31/12/2021, amount to €32,072,332 with an impact on the 2021 profit and loss account of €4,581,762, recorded under item 140 value adjustments to loans and provisions for guarantees and commitments .*

- The Bank, during the year*
- sold in advance on the market subordinated fixed financial debt instruments issued by non-investee financial companies, as resolved by the Board of directors on 17/06/2021 on the basis of the reasons given therein, for a total nominal amount of €20,451,000 recorded in the financial statements for €21,584,856. Capital gains and other realized income were entered under item 190 Extraordinary income, while realized capital losses were entered under item 200 Extraordinary expenses, generating a net loss of € 24,806 in total*
- proceeded, on the basis of the forecasts contained in the CBSM letter prot. no. 20/13417 of 22/12/2020, to the disinvestment of additional fixed asset debt financial instruments for a nominal amount of €14,118,000, recorded in the balance sheet for €14,175,684, of which a nominal amount of €6,000,000 recorded in the balance sheet for €5,994,927 previously transferred to the free portfolio. Realized capital gains were recorded under item 190 Extraordinary income for a total of €627,574.*

*The transactions carried out on the basis of the above-mentioned CBSM letter prot. no. 20/13417 dated 22/12/2020 generated capital gains of €2,839,576 during the 2020 financial year and capital gains of €627,574 during the 2021 financial year. The total amount of realized gains of € 3,467,150 is to be allocated to a reserve earmarked for future capital increases up to the amount of the sum. As of 31 December 2021, this reserve was already tied up in the amount of €126,613 as a result of the approval of the financial statements for the year ended as of 31/12/2020. Therefore, the remaining part amounting to €3,340,538 will have to be set aside by drawing from the profits of future years. All of this as better detailed and explained in Section 5 of the Explanatory Notes to the financial statements.*



Dott. Vanessa Tavolini

Dott. Giorgio Rusticali

Avv. Dennis Beccari

Board of Statutory Auditors  
Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.

• *In the early months of 2022, the Bank audited the 2022-2024 Three-year development Plan, as reported in the section The Business Outlook of the Management Report, which assumes the return to economic equilibrium in plan arc. These assumptions made satisfied the analyses regarding the existence of the conditions related to the going concern principle.*

Since this Board of Statutory Auditors has not been entrusted with the legal audit of the Financial Statements, we have supervised the general approach given to the same, its general compliance with the law with regard to its formation and structure and, in this regard, we have no observations to report.

**IV. REMARKS AND PROPOSAL REGARDING THE FINANCIAL STATEMENTS AND THEIR APPROVAL**

Considering the results of the work we have carried out and the opinion expressed in the audit report issued by the independent auditor, we invite you to approve the financial statements for the year ended as of 31 December 2021, as prepared by the directors. The Board of Statutory Auditors agrees with the proposal to cover the loss of €2,522,804 for the year 2021 through the use of the ordinary reserve contained in the final part of the Report of the Board of Directors.

San Marino, 27 May 2022

Dott.ssa Vanessa Tavolini (Chairman)

Dott. Giorgio Rusticali (Auditor)

Avv. Dennis Beccari (Auditor)

**SUBJECTIVE AND OBJECTIVE CONDITIONS**

According to article 6 of Law no. 47 of 23/02/2006, all the members of the Board of Statutory Auditors of Banca Agricola Commerciale of the Republic of San Marino S.p.A. declare that the subjective and objective conditions remain for holding the office of Auditor.  
San Marino, 13 May 2022

Dott. Vanessa Tavolini

Dott. Giorgio Rusticali

Avv. Dennis Beccari

Board of Statutory Auditors  
Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.

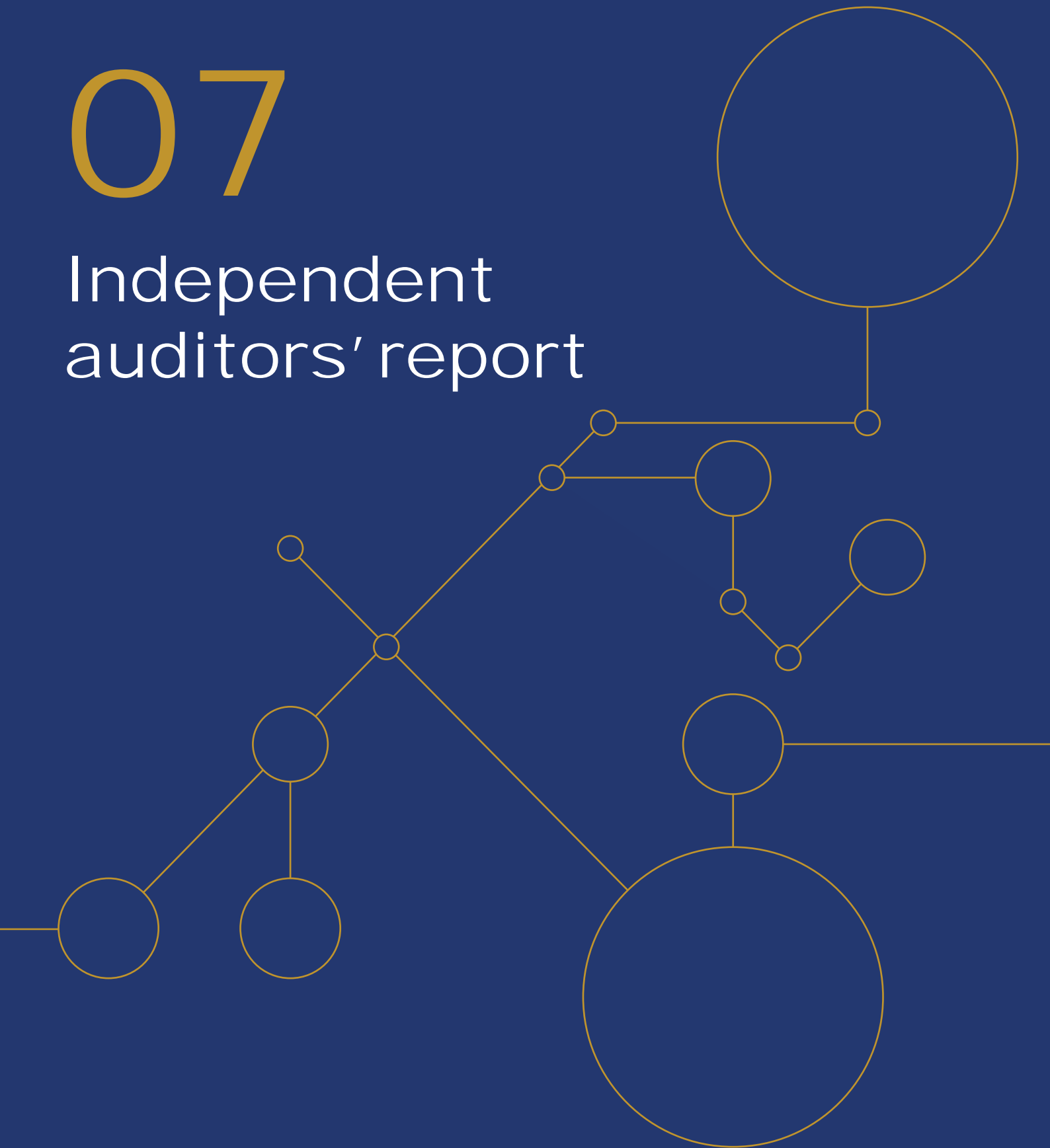
Dott. ssa Vanessa Tavolini (Chairman)

Dott. Giorgio Rusticali (Auditor)

Avv. Dennis Beccari (Auditor)

# 07

## 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.

## Judgement

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 31/12/2021, the Profit and Loss Account for the year closed at such date and the Explanatory Notes to the Financial Statements.

In our opinion, the statutory financial statements give a true and fair view of the financial position of BANCA AGRICOLA COMMERCIALE ISTITUTO BANCARIO SAMMARINESE S.p.A. as of 12/31/2021 and of the results of its operations for the year then ended in accordance with San Marino regulations, including Regulation No. 2016-02 issued by the Central Bank of the Republic of San Marino, which govern their preparation.

## Elements behind the judgment

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.

### 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 of 31/12/2021 have been prepared by continuing the accrual of adjustments resulting from the AQR (Asset Quality Review) exercise allowed 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 in asset item 130 "Other assets" as of 31/12/2021, amounted to €32,072,332 with an impact on the 2021 income statement of €4,581,762, recorded under item 140 "Value adjustments on loans and provisions for guarantees and commitments."

- The Bank, during the year:

- sold in advance on the market subordinated fixed financial debt instruments issued by non-investee financial companies, as resolved by the Board of Directors on 17/06/2021 on the basis of the reasons given therein, for a total nominal amount of €20,451,000 recorded in the financial statements for €21.584.856. The realized capital gains and other income were entered under item 190 "Extraordinary income," while the realized capital losses were entered under item 200 "Extraordinary expenses," generating a net loss of € 24,806 in total;

- proceeded, on the basis of the forecasts contained in the CBSM letter prot. no. 20/13417 of 22/12/2020, to the disinvestment of additional fixed asset debt financial instruments for a nominal amount of €14,118,000, recorded in the financial statements for €14,175,684, of which a nominal amount of €6,000,000 recorded in the financial statements for €5,994,927 previously transferred to the free portfolio. Realized capital gains were recorded under item 190 "Extraordinary income" for a total of €627,574.

The transactions carried out on the basis of the above-mentioned CBSM letter prot. no. 20/13417 dated 22/12/2020 generated capital gains of €2,839,576 during the 2020 financial year and capital gains of €627,574 during the 2021 financial year. The total amount of realized gains of €3,467,150 is to be allocated to a reserve earmarked for future capital increases up to the amount of the sum. As of 31 December 2021, this reserve was already restricted in the amount of €126,613 as a result of the approval of the financial statements for the year ended on 31/12/2020. Therefore, the remaining part amounting to € 3,340,538 will have to be set aside by drawing from the profits of future years.

All this as better detailed and justified in Section 5 of the Explanatory Notes to the Financial Statements.

- In the early months of 2022, the Bank revised the 2022-2024 Three-Year Development Plan, as reported in the section "The Business Outlook" of the Management Report, which assumes it will return to economic equilibrium in plan arc. These assumptions led to the conclusion that the analyses regarding the existence of the conditions related to the principle of business continuity were satisfied.

### 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 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.

#### 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 31/12/2021, 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 31/12/2021 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 31/12/2021 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, 9 May 2022

AB & D Audit Business & Development S.p.A.

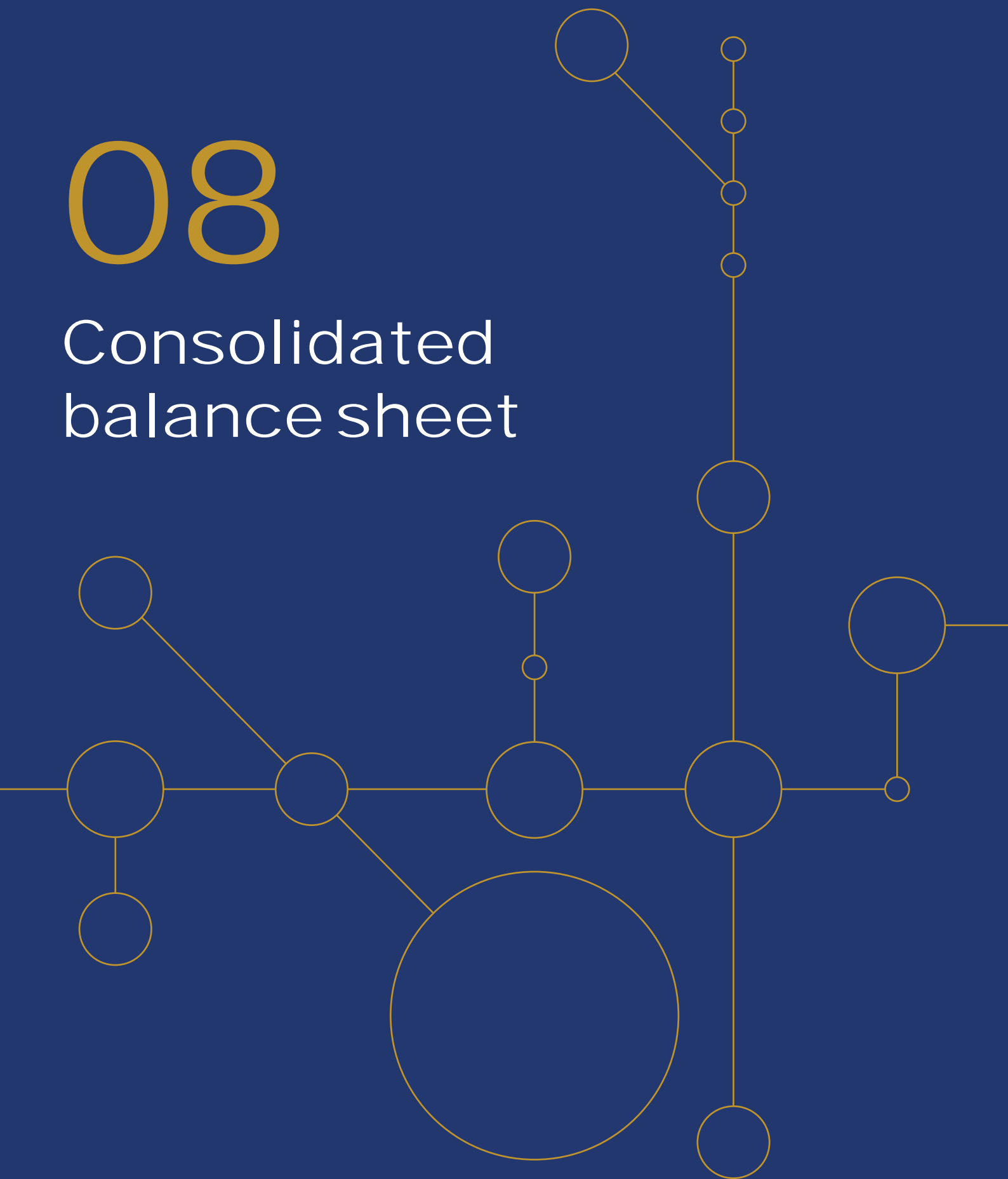
Marco Stolfi  
Director





# 08

## Consolidated balance sheet



## Consolidated balance sheet

### Financial Statements – 2021 Reports and Financial Statements.

#### Gruppo Bancario Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.

The state of health emergency, consequent to the second pandemic wave from COVID-19, had strong repercussions in 2021 also; despite this, at the end of its 2021 annual mission, in accordance with art. 4 of the relevant Articles of Association, the International Monetary Fund underlined the “resilience” of the Titan in the face of the pandemic challenge and the effectiveness of the vaccination campaign, in which the Republic of San Marino was a world leader in terms of speed and population coverage. Specifically, the package of policies aimed at supporting the economic fabric was particularly appreciated: the expansion of the redundancy fund, moratoria and extension of tax deadlines to support the liquidity of the private sector, all crucial steps to avoid bankruptcies, mass lay-offs and to maintain confidence in the system. Exports, imports, domestic consumption, employment and government revenues are now above pre-pandemic levels. Once the economy stabilized, in late 2020 San Marino gained access to international capital markets for the first time in the country’s history. It first obtained a bilateral loan and then, in early 2021, issued a Eurobond. This allowed San Marino to provide additional budgetary resources, in the form of grants, to the economic sectors most affected by the pandemic.

Ambitious steps have been taken to address the problems in the banking sector inherited from the past. A €455 million perpetual bond (33% of GDP) was issued to cover the past losses of the public bank Cassa di Risparmio della Repubblica di San Marino Spa (CRSM). At the same time, the liquidity of CRSM was brought to a reasonable level through the early repayment of a €94 million bond by the Government. The Central Bank of San Marino (CBSM) intensified its supervisory efforts, revised the regulations of the tests of good standing and professionalism, and revoked the license of Banca Nazionale Sammarinese (BNS), formerly Banca CIS, now converted into a public asset recovery institution with a government guarantee on all bondholders. Despite efforts to improve the efficiency of the banking sector by reducing overall costs, the process has stalled and cost-income ratios remain high. However, at the same time, confidence has been significantly boosted, as evidenced by the recent increase in bank deposits. Addressing the large amount of Non-Performing Loans (NPLs) remains the banking system’s key challenge. Plans to follow the ECB’s timeline-based guidelines for resolution of legacy NPLs are welcomed and will ensure that going forward, banks address NPL resolution in a timely manner. The strong response to the pandemic and, more importantly, the considerable public support to the financial system, have significantly increased public debt,

which increased from 32% of GDP at the end of 2019 to 105% of GDP. At the same time, central government deposits have increased to 15% of GDP. Public debt is expected to peak this year and decline moderately thereafter. However, this trend is not robust enough to cope with most potential shocks. The extremely high size of the Eurobond poses new challenges in the event of less favourable international financial conditions. Although San Marino's interest payments are expected to remain manageable, at below 3% of GDP, the size of the Eurobond and its short three-year maturity imply that San Marino's gross financing needs will rise to 24% of GDP in 2024, which represents a key new challenge for the country. Reforms that preserve and support macroeconomic stability should be complemented by structural reforms needed to stimulate long-term growth. An ambitious plan to improve the business climate is being developed, consisting of digitalization and streamlining bureaucracy, while further integration with the EU is being pursued. Last year San Marino enjoyed a robust recovery supported by a boom in exports and a recovery in tourism. The favourable external environment and supportive policies led to GDP growth estimated above 5% in almost all manufacturing and service sectors.

However, late last year and more recently with the outbreak of war in Ukraine, the global environment has suddenly deteriorated. Rising commodity prices, disruptions in commodity supplies and increased uncertainty will lower growth and increase inflation, but the full impact is still uncertain. According to the latest IMF estimates, the country's **real GDP**, which rebounded strongly in 2021 post-pandemic by **5.5%**, is projected to rise by **+3.7%** in 2022.

The inflation rate for 2021 was **+0.8%** and expected for 2022 was **+0.9%**. The unemployment rate for 2021 was **6.7%** and IMF projections see an improving rate for 2022 at **6.4%**.

As of 31/12/2021, the BAC group (hereinafter also referred to as the group or banking group) had consolidated total deposit of € 1,399.22 million (also including the Custodian Bank Activity for BAC Investments SG Spa), divided between direct and indirect deposit of €710.362 million and €688.864 million respectively.

Total assets as of 31 December 2021 amounted to € **1,099.37** million, compared to €1,074.78 million as of 31 December 2020, while loans to customers, expressed at their estimated realizable value (therefore already net of the provision for bad debts of €70.561 million), went from €373.81 million to €344.49 million, an item that shows a decrease in absolute terms of -€39.315 million.

At a consolidated level, the group achieved an intermediation margin of €17.697 million in the year 2021, down by 13.57% compared to 2020, we specify in this regard that the item "other revenues", which includes the principal portion of lease payments, has been algebraically added to the relative depreciation and amortization quotas, of the same amount, which were included in the item depreciation and amortization, whose values are respectively €10.087 million for 2021 and €9.431 million for 2020.

Overhead costs, equal to €14.911 million, decreased by 5.66% compared to the final balance as of 31/12/2020 (-€15.806 million), as a result of a

careful policy of cost containment and improvement of economies of scale across all group companies, and started from previous years.

Personnel costs recorded a saving of €0.259 million (-2.88% compared to 31/12/20220), while administrative expenses decreased by €0.537 million (-9.96%).

We highlight a positive operating result of €2.786 million, a decrease of 40.35% compared to 2020 (+€4.670 million) and a consolidated result of -€1.499 million, after having expensed significant provisions for risks and charges for a total of €4,609 million, a saving of 22.21% compared to the previous year, adjustments made to real estate owned, no longer instrumental and deriving from credit recovery, for €0.218 million and adjustments to financial assets for -€0.611 million.

It should be noted that the component of extraordinary income for the current year was fuelled for €0.627 million by capital gains on the sale of investment securities, as authorised by CBSM with Prot.20/13417 of 22/12/2020.

The Report sets out the consolidated figures for the year 2021, compared to 2020 expressed on the basis of accounting principles characteristic of consolidated financial statements.

Please refer to the tables below and the Parent Company's Report for a summary of the Consolidated Balance Sheet and Consolidated Profit and Loss Account as of 31 December 2021, prepared as follows:

- the individual financial statements as of 31/12/2021 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 31/12/2021 were eliminated and the reciprocal accounting of costs and revenues during the year between group companies was reversed;
- the shareholders' equity items of the subsidiary companies have been cancelled as a contra entry to the values of the shareholdings held and any resulting difference (consolidation surplus or deficit) has been charged to the shareholders' equity of the parent company.

The scope of consolidation includes the following companies: BAC Investments SG Spa, BAC Life Spa, BAC Real Estate Srl and BAC Trustee Spa, wholly owned, and the new company San Marino Finanza e Previdenza Srl, incorporated during 2021 and already operational, 51% owned. The latter was established as a 51% joint venture with Finanza e Previdenza Srl, an Italian insurance agent registered in section A of the RUI with IVASS, a multi-firm agency with leading Italian and international insurance companies. The technical/insurance know-how of Finanza e Previdenza, associated with the commercial and financial experience of BAC, will guarantee the possibility of 360° risk coverage for all clients, as well as the creation of new products, in line with the needs of the market.

## Financial statements

### Asset items

#### Consolidato BAC – BACInvestments SG Spa –BAC Life Spa – BAC Real Estate Srl – Bac Trustee Spa – San Marino Finanza e Previdenza Srl

CODE	ASSET ITEMS	31/12/2021	31/12/2020	CHANGE	
				Absolute	%
10	Cash and cash equivalents	4.328.799	3.205.086	1.123.713	35,06%
20	Loans to banks	189.222.090	143.522.515	45.699.574	31,84%
	a) At sight	162.244.144	109.193.791	53.050.353	48,58%
	b) Other receivables	26.977.945	34.328.724	-7.350.779	-21,41%
30	Loans to customers *	282.624.179	305.351.211	-22.727.031	-7,44%
40	Bonds and other debt financial instruments	207.633.636	234.106.515	-26.472.880	-11,31%
	a) Public issuers	108.165.322	158.160.079	-49.994.757	-31,61%
	b) Bank issuers	18.228.712	5.607.586	12.621.125	225,07%
	of which own financial instruments	-	-	-	-
	c) Investors (investment firms)	1.018.771	-	1.018.771	-
	d) Other issuers	80.220.831	70.338.850	9.881.981	14,05%
50	Shares, stocks and other capital financial instruments	115.861.561	85.251.916	30.609.645	35,90%
60	Shareholdings	5.716.956	4.723.110	993.847	21,04%
70	Investments in bank group companies	-	-	1	-
80	Intangible fixed assets	1.514.363	1.566.102	-51.739	-3,30%
	a) of which goodwill	519.419	519.419	-	-
90	Tangible fixed assets	165.104.213	165.807.137	-702.923	-0,42%
	a) of which financial leases	58.739.716	65.711.116	-6.971.400	-10,61%
	b) of which assets awaiting lease	2.611.997	2.229.101	382.896	17,18%
100	Subscribed paid capital not paid-in	-	-	-	-
110	Treasury shares or stocks	14.378	14.378	-	0,00%
120	Other assets	126.596.236	130.425.429	-3.829.193	-2,94%
130	Accrued income and prepaid expenses	758.129	811.778	-53.650	-6,61%
	a) Accrued income	570.835	601.045	-30.210	-5,03%
	b) Prepaid expenses	187.294	210.733	-23.440	-11,12%
140	<b>Total assets</b>	<b>1.099.374.539</b>	<b>1.074.785.176</b>	<b>24.589.363</b>	<b>2,29%</b>

## Liability and equity items

CODE	LIABILITY ITEMS	31/12/2021	31/12/2020	CHANGE	
				Absolute	%
<b>10</b>	Amounts due to banks	1.741.267	1.629.484	111.783	6,86%
	a) At sight	1.228.033	1.189.695	38.338	3,22%
	b) Term or without notice	513.234	439.789	73.445	16,70%
<b>20</b>	Amount due to customers	507.893.636	471.159.781	36.733.855	7,80%
	a) At sight	464.131.095	433.373.970	30.757.125	7,10%
	b) Term or without notice	43.762.541	37.785.811	5.976.730	15,82%
<b>30</b>	Paybles represented by financial instruments	195.251.102	207.233.579	-11.982.477	-5,78%
	a) Bonds	-	-	-	-
	b) Certificates of deposit	195.251.102	207.233.579	-11.982.477	-5,78%
	c) Other financial instruments	-	-	-	-
<b>40</b>	Other liabilities	87.101.560	89.924.653	-2.823.093	-3,14%
<b>50</b>	Accrued expenses and deferred income	155.890	168.089	-12.200	-7,26%
	a) Accrued expenses	7.858	7.278	580	7,97%
	b) Deferred income	148.032	160.811	-12.780	-7,95%
<b>60</b>	Severance	536.722	565.287	-28.564	-5,05%
<b>70</b>	Reserves for risks and charges	1.050.213	1.105.888	-55.674	-5,03%
	a) Provision for pensions and similar obligations	-	-	-	-
	b) Tax reserves	45.836	17.705	28.131	158,89%
	c) Other reserves	1.004.377	1.088.183	-83.806	-7,70%
<b>80</b>	Risk provisions for credits not adjusting assets	20.000	36.000	-16.000	-44,44%
<b>90</b>	Technical reserves	216.465.691	211.655.719	4.809.972	2,27%
<b>100</b>	Subordinate liabilities	2.400.988	2.400.988	-	-
<b>110</b>	Share capital	20.892.820	20.880.080	12.740	0,06%
<b>120</b>	Share premium reserves	-	-	-	-
<b>130</b>	Reserves	49.389.947	50.888.362	-1.498.415	-2,94%
	a) Ordinary reserves	48.908.958	50.533.986	-1.625.029	-3,22%
	b) Treasury and share reserves	14.378	14.378	-	0,00%
	c) Extraordinary reserves	-	-	-	-
	d) Other reserves	466.611	339.998	126.613	37,24%
<b>140</b>	Revaluation reserves	17.973.780	18.144.811	-171.031	-0,94%
<b>150</b>	Retained earnings (losses) (+/-)	-	-1.656.680	1.656.680	-
<b>160</b>	Net income (loss) for the period (+/-)	-1.499.078	649.136	-2.148.213	-330,93%
	Minority interests	-	-	-	-
	Merger surplus	-	-	-	-
<b>170</b>	<b>Total liabilities</b>	<b>1.099.374.539</b>	<b>1.074.785.176</b>	<b>24.589.363</b>	<b>2,29%</b>

## Conto economico

CODE	PROFIT AND LOSS ACCOUNT ITEMS	31/12/2021	31/12/2020	CHANGE	
				Absolute	%
	Insurance premiums	1.290.320	1.146.788	143.531	12,52%
<b>10</b>	Interest income and similar revenues	11.547.387	12.981.251	-1.433.864	-11,05%
	a) On loans to customers	10.669.554	12.067.488	-1.397.934	-11,58%
	b) On debt securities	1.009.158	918.441	90.717	9,88%
	c) On amounts due from banks	-131.325	-4.678	-126.647	2707,24%
<b>20</b>	Interest expense and similar charges	-2.792.814	-3.020.370	227.557	-7,53%
	a) On loans to customers	-662.833	-694.674	31.841	-4,58%
	b) On bond payables	-2.123.352	-2.321.059	197.707	-8,52%
	c) On amounts due from banks	-6.628	-4.637	-1.991	42,95%
<b>30</b>	Dividends and other revenues	1.494.642	1.157.687	336.955	29,11%
	a) On stocks	-	-	-	-
	b) On shares	-	-	-	-
	c) On group company shares	-	-	-	-
<b>40</b>	Commission income	6.834.302	6.179.843	654.459	10,59%
<b>50</b>	Commission expense	-949.858	-789.255	-160.603	20,35%
<b>60</b>	Profits (losses) on financial transactions (+/-)	-1.171.782	1.770.364	-2.942.145	-166,19%
<b>70</b>	Other operating income	11.599.768	10.520.734	1.079.035	10,26%
<b>80</b>	Other overhead costs	-67.097	-38.850	-28.247	72,71%
<b>90</b>	Administrative expenses	-13.598.322	-14.394.828	796.506	-5,53%
	a) Personnel expenses	-8.740.013	-8.998.927	258.914	-2,88%
	a1. Salaries and wages	-6.163.076	-6.402.786	239.710	-3,74%
	a2. Welfare contributions	-1.667.436	-1.721.041	53.606	-3,11%
	a3. Severance	-553.833	-578.790	24.957	-4,31%
	a4. dormancy and similar	-	-	-	-
	a5. directors and auditors	-311.041	-275.449	-35.592	12,92%
	a6. other personnel costs	-44.627	-20.861	-23.766	113,93%
	b) Other administrative expenses	-4.858.309	-5.395.901	537.592	-9,96%
<b>100</b>	Value adjustment on intangible fixed assets	-200.697	-239.536	38.839	-16,21%
	of which on intangible assets leased	-49.366	-41.657	-7.709	18,51%
<b>110</b>	Value adjustments on tangible fixed assets	-11.417.700	-12.159.084	741.385	-6,10%
	of which on tangible assets leased	-10.037.833	-9.389.384	-648.449	6,91%
	Provisions for risks and charges	-218.000	-1.555.999	1.337.999	-85,99%
<b>120</b>	Provisions for credit risks	-70.225	-31.660	-38.565	121,81%
<b>130</b>	Value adjustments for loans and provisions for guarantees and commitments	-	-	-	-
<b>140</b>	Writebacks on loans and on provisions for guarantees and commitments	-9.567.017	-7.959.000	-1.608.017	20,20%
<b>150</b>	Financial asset adjustments	5.027.418	2.064.973	2.962.445	143,46%
<b>160</b>	Financial asset writebacks	-611.422	-	-611.422	100,00%
<b>170</b>	Operating income (loss)	-	-	-	-
<b>180</b>	<b>Extraordinary income</b>	<b>-2.653.096</b>	<b>-2.810.944</b>	<b>157.849</b>	<b>5,62%</b>
<b>190</b>	Extraordinary expense	1.561.148	3.764.059	-2.202.910	-58,52%
<b>200</b>	Extraordinary income (loss)	-225.132	-226.755	1.623	-0,72%
<b>210</b>	Variations in general banking risk reserves (+/-)	1.336.016	3.537.304	-2.201.288	-62,23%
<b>220</b>	Taxation for the year	-	-	-	-
<b>230</b>	Income (loss) for the period	-181.998	-77.224	-104.774	135,67%
<b>240</b>	<b>Net income (loss) for the period</b>	<b>-1.499.078</b>	<b>649.135</b>	<b>-2.148.213</b>	<b>330,93%</b>

## Guarantees and commitments

CODE	ITEMS	31/12/2021	31/12/2020	CHANGE	
				Absolute	%
<b>10</b>	<b>Guarantees issued</b>	9.532.640	11.672.947	-2.140.307	-18,34%
	a) Acceptances	48.948	121.667	-72.719	-59,77%
	b) Other guarantees	9.483.692	11.551.280	-2.067.588	-17,90%
<b>20</b>	<b>Commitments</b>	17.984.294	5.768.898	12.215.396	211,75%
	a) For certain use	14.503.935	-	14.503.935	-
	of which financial instruments	-	-	-	-
	b) For uncertain use	2.170.497	3.592.068	-1.421.571	-39,58%
	of which financial instruments	-	-	-	-
	c) Other commitments	1.309.862	2.176.830	-866.968	-39,83%
<b>30</b>	<b>Total</b>	<b>27.516.934</b>	<b>17.441.845</b>	<b>10.075.089</b>	<b>57,76%</b>



## Deposits and loans to customers

DEPOSITS / LOANS	31/12/2021	31/12/2020	CHANGE	
			Absolute	%
Amounts due from customers	344.495.312	373.810.846	-29.315.535	-7,84%
Coverage	17,01%	18,07%	-1,06%	-5,88%
Coverage on doubtful loans	47,09%	48,86%	-1,77%	-3,62%
Loans/direct deposits	48,50%	54,65%	-6,16%	-11,27%
Direct deposits	710.362.531	683.953.698	26.408.833	3,86%
of which CD	195.251.102	207.233.579	-11.982.477	-5,78%
of which Bonds	2.400.988	2.400.988	-	0,00%
of which deposits at sight	465.917.528	433.069.296	32.848.232	7,58%
of which repos	23.545.756	27.441.068	-3.895.312	-14,20%
Indirect deposits	688.864.249	648.973.794	39.890.455	6,15%
a) Administered deposits	558.087.625	536.956.496	21.131.129	3,94%
of which administered funds	2.395.000	2.395.000	-	0,00%
b) Managed deposits	9.226.482	10.480.116	-1.253.634	-11,96%
of which managed funds	3.972.553	5.014.170	-1.041.617	-20,77%
of which insurance bank	-	-	-	0,00%
c) Custodian bank	135.544.162	116.112.309	19.431.853	16,74%
of which cash and cash equivalents	7.626.467	7.165.957	460.510	6,43%
<b>Total deposits</b>	<b>1.399.226.780</b>	<b>1.332.927.492</b>	<b>66.299.288</b>	<b>4,97%</b>

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	31/12/2021	31/12/2020	CHANGE	
			Absolute	%
Interest margin	10.249.216	11.118.567	-869.352	-7,82%
Net commissions	5.884.444	5.390.588	493.856	9,16%
Profits and losses from financial transactions	-1.171.782	1.770.364	-2.942.145	-166,19%
Other revenues	1.445.472	1.050.842	394.630	37,55%
Brokerage income	6.158.134	8.211.794	-2.053.660	-25,01%
Net income from insurance operations	1.290.320	1.146.788	143.531	12,52%
<b>Intermediation margin</b>	<b>17.697.669</b>	<b>20.477.150</b>	<b>-2.779.481</b>	<b>-13,57%</b>
Personnel expenses	-8.740.013	-8.998.927	258.914	-2,88%
Administrative expenses	-4.858.309	-5.395.901	537.592	-9,96%
Value adjustments on tangible and intangible assets	-1.313.197	-1.411.580	98.383	-6,97%
<b>Operating expenses</b>	<b>-14.911.519</b>	<b>-15.806.408</b>	<b>894.889</b>	<b>-5,66%</b>
<b>Operating income</b>	<b>2.786.150</b>	<b>4.670.742</b>	<b>-1.884.591</b>	<b>-40,35%</b>
Provisions and net adjustments to receivables and risks	-4.609.824	-5.925.687	1.315.863	-22,21%
Value adjustments on non-instrumental fixed assets	-218.000	-1.555.999	1.337.999	-85,99%
Value adjustments on financial assets	-611.422	-	-611.422	100,00%
Extraordinary income	1.336.016	3.537.304	-2.201.288	-62,23%
Income taxes for the year	-181.998	-77.224	-104.774	135,67%
<b>Net income for the year</b>	<b>-1.499.078</b>	<b>649.135</b>	<b>-2.148.213</b>	<b>-330,93%</b>

## Aggregate data of the banking group and San Marino banking system - market share as of 31/12/2021 -

DESCRIPTION	System aggregate data	Aggregate data of the bank group	Group market share vs
	31/12/2021	31/12/2021	31/12/2021
<b>Main asset items</b>			
Loans	2.174.970	414.914	19,08%
of which non-performing loans (gross of value adjustments)	535.438	95.073	17,76%
Bonds and debt securities	1.140.320	207.634	18,21%
Interests and equity securities	251.432	121.579	48,35%
<b>Deposits</b>			
Direct deposits	3.614.311	710.363	19,65%
of which deposits to customers at sight	2.230.188	465.918	20,89%
of which certificates of deposit	972.375	195.251	20,08%
of which bonds	63.819	2.401	3,76%
Indirect deposits	1.900.684	696.491	36,64%
of which administered securities	1.358.806	555.693	40,90%
of which classical asset managements	380.893	5.254	1,38%
of which depositary bank activities	160.986	135.544	84,20%
Total deposits	5.514.995	1.406.853	25,51%
<b>Deposits and interbank loans</b>			
Credits vs banks	620.874	189.222	30,48%
Debts vs banks	3.725	1.629	43,74%
<b>Shareholders' equity and total assets</b>			
Shareholders' equity	276.699	86.757	-
Total assets	4.134.869	1.099.375	-
<b>Operating indicators</b>			
loans / direct deposits	60,18%	58,41%	-
Gross non-performing loans / gross loans	24,62%	22,91%	-
Shareholders' equity / total assets	6,69%	7,89%	-

San Marino, 03/05/2022

The Chairman



**BANCA AGRICOLA COMMERCIALE**  
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