
Financial Statements 2022

Index

- 01** Corporate position
3 - 4
- 02** Shareholders' meeting
5 - 6
- 03** Report of the board of directors
7 - 94
- 04** Financial statements representation
95 - 100
- 05** Explanatory notes
101 - 195
- 06** Auditors' report
196 - 206
- 07** Independent auditors' report
207 - 211



01

Corporate position



Board of Directors

Biagio Bossone

Chairman

Daniele Savegnago

Vice Chairman

Micaela Licia Menicucci

General Manager

Board members

Emanuele Cesarini

Andrea Ragagni

Francesco Gennari

Board of statutory auditors

Vanessa Tavolini

Chairman

Erika Marani

(appointed at the shareholders' meeting on 27/02/2023)

Auditor

Giorgio Rusticali

Auditor

General management

Micaela Licia Menicucci

Director

Marco Castronovo

Deputy Director

02

Shareholders' meeting

On Thursday **25 May 2023** – 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 2022 and related decisions;
2. Appointment of the Board of Statutory Auditors for the 2023–2025 three-year period and determination of their remuneration;
3. Acknowledgement of the adopted policy on legal protection of corporate officers;
4. Determination of the amount to be allocated to charity;
5. Statutory changes.

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, 27 April 2023

The Chairman of the Board of Directors
Biagio Bossone



03

Report of the board of directors

Report of the board of directors on the 2022 financial statements

TABLE OF CONTENTS

Macroeconomic scenario	9
The regulatory framework evolution and the compliance activity	25
Introduction	36
General principles for the preparation of the management report	39
Statement of assets and liabilities	50
Loans to customers	50
Securities	54
Financial investments	56
Shareholdings	60
Interbank	62
Net equity and capital ratios	63
Relations with subsidiaries and affiliates	65
Communication, marketing and commercial activity	69
Organizational activities and operational structure	72
Staff	77
Risk management and supporting audit methodologies	81
Charity	90
Significant events occurring after the end of the year	91
Business outlook	92
Proposal for the approval of the financial statements and allocation of the results for the year	93
Subjective and objective conditions	94

Macroeconomic scenario

The international context¹

The conflict in Ukraine continues, but energy prices fall back.

Despite continuing hostilities between Russia and Ukraine, tensions in international commodity markets and global supply chains are gradually easing; reopenings in China after severe zero-COVID policy restrictions and mild weather in recent months in Europe, which has allowed for a limited decrease in gas stocks compared to previous years, contribute to the improving picture (Fig. 1). According to some analysts, the global business cycle is approaching its local low point. Recovery is expected from next spring and should still be moderate, as it is still held back by geopolitical tensions.

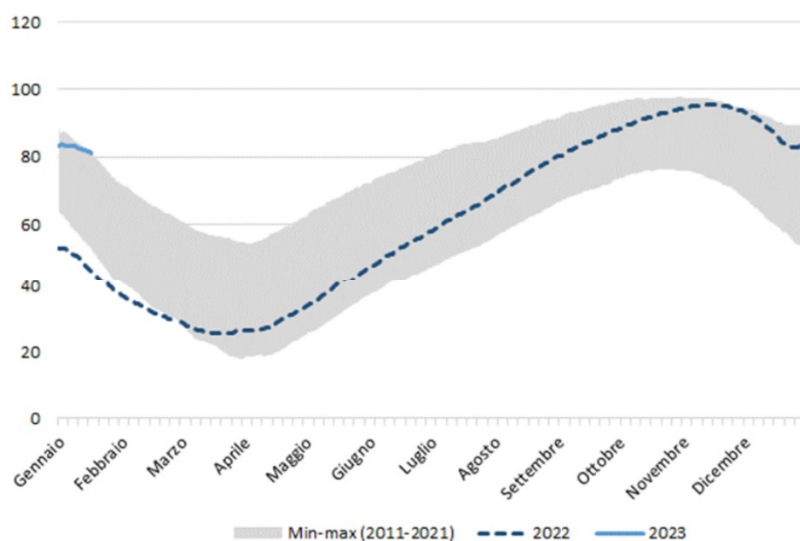


Fig. 1 – Level of gas storages in Europe

Source: Gas Infrastructure Europe

¹Source upB note on the economy – February 2023

Inflation appears to have peaked on both sides of the Atlantic

Inflation, which had been rising widely since the spring of 2021 due to demand-induced economic recovery as well as supply constraints in global supply chains, intensified with the outbreak of the conflict in Ukraine; the war further pushed up fossil fuel prices, especially in Europe, due to dependence on Russian supplies. When energy goods prices began to normalize total inflation peaked, in the United States in June (at 9.0%) and in the euro area in October (at 10.6); Consumer price dynamics fell to 6.5% in December in the United States and 8.5 in January in the euro area. In the United States, core inflation began to fall, three months behind total inflation; in Europe the dynamics of prices of less volatile goods was 5.2% in January, stable compared to the previous month. The different persistence of inflation in the two economies is likely attributable to a number of factors, such as the nature and intensity of supply shocks, the intensity and timing of economic policy and central bank responses, and structural aspects such as the flexibility of markets to adapt to changing environmental conditions. Inflation expectations now appear to have stabilized in the 2.0–2.5% range on both sides of the Atlantic (fig.2).

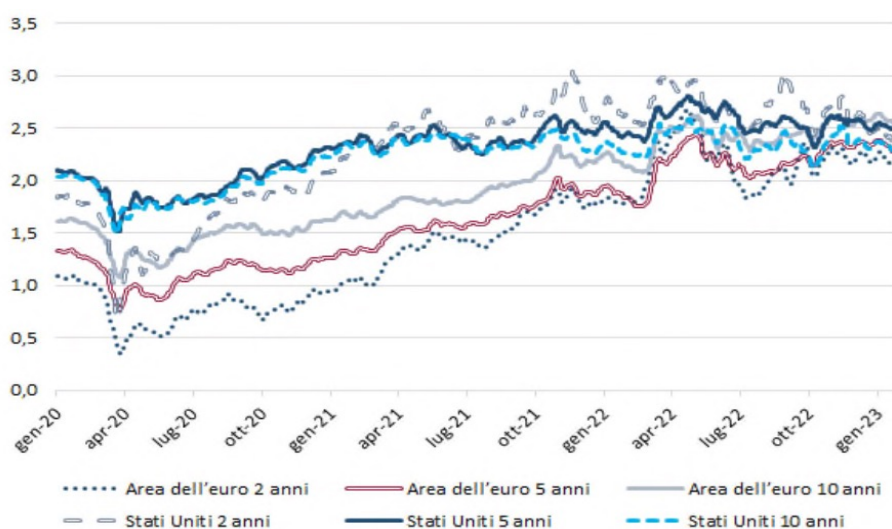


Fig. 2 – Inflation expectations implied in inflation swaps for the euro area and the U.S.
(percentage points)

Cooling price dynamics prompted the Federal Reserve to moderate the planned path of interest rate increases. After seven hikes made last year, the increase was limited to only 25 basis points at the first meeting of 2023. In Europe, the European Central Bank (ECB), which had made four rate hikes on its main refinancing operations rate (up to 2.5%) in 2022, opted for an additional 50 basis points in February, and the ECB also raised rates by the same amount in March. The possibility of further increases thereafter remains open, as the stated approach is directly dependent on the data and information available at the various Governing Council meetings.

Fmi² raises global growth estimate to + 2.9% in 2023 (World Economic Outlook January 2023 update). Italy does better than expected: +0.6%.

China accelerates with reopening after lockdown from Covid: GDP rises 5.2%. Russian economy holds up: +0.3%. US economy will grow 1.4% this year. Britain the tail end of the G7: -0.6%.

The global economic outlook is less gloomy than a few months ago. "Global growth slows but is better than forecast in October." The International Monetary Fund makes this known in its Weo (World Economic Outlook) update, pointing out that the world's GDP is expected to rise to 2.9% (slowing from 3.4% last year) this year and then increase to 3.1% in 2024. The forecast for 2023 is 0.2 percentage points higher than estimated in the fall but below the historical average (2000–19) of 3.8%.

"Central bank rate hikes to counter inflation and Russia's war with Ukraine continue to weigh on economic activity," the IMF explains. The spread of Covid-19 in China dampened growth in 2022, but the recent reopening paves the way for a faster-than-expected recovery. Headline inflation is expected to fall from 8.8% in 2022 to 6.6% in 2023 to 4.3% in 2024, still above pre-pandemic levels (2017–19) of about 3.5%.

Italian GDP will grow by 0.6% in 2023 and 0.9% in 2024. The International Monetary Fund is revising its growth estimates upward for this year (+0.8% compared to -0.2% in October) and downward for next year (-0.4% compared to +1.3% estimated in October). For 2022, the Fund's estimate is +3.9%.

As for the Eurozone, the Fund expects growth to be 0.7% this year (0.2 percentage points higher than predicted in the October Weo) and to 1.6% in 2024 (-0.2 on October). Germany's growth will be almost stationary this year (+0.1%, 0.4 points above October) and then accelerate in 2024 to 1.4% (-0.1). In contrast, France's forecast is in line with the autumn forecast: GDP 2023 at 0.7% and 1.6% in 2024.

Instead, the British economy will contract by 0.6% this year, proving to be the tail end of the G7. The IMF revises down its estimates for Britain in 2023 by 0.9 percentage points compared to October, but tweaks upward (+0.3 points) those for 2024 to +0.9%.

In the United States, GDP in 2023 is expected to reach 1.4%, up 0.4 percentage points compared to the October forecast, before falling to 1% in 2024, down from the 1.2% forecast in the fall (-0.2 percentage points). As for China, growth this year is expected to reach 5.2% (up 0.8 percentage points from the October Weo) before falling to 4.5% in 2024 (in line with previous estimates). India is confirmed as the world's locomotive with 2023 GDP at 6.1% and 6.8% next year (both in line with the October Weo). Improved economic conditions in Russia, which after a recession in 2022 (2.2% contraction) following the war unleashed against Ukraine, should see things improve this year (GDP +0.3% up a good 2.6 percentage points from the October forecast) and also next year (+0.6% 0.6 percentage points higher than last fall).

Gourinchas: "The fight against inflation is beginning to bear fruit."

² Source: RaiNews.

“The fight against inflation is beginning to bear fruit, but central banks must continue their efforts.” So says Pierre-Olivier Gourinchas director of Research at the International Monetary Fund, adding that “the global economy is poised to slow this year before rebounding next year” from 3.4% in 2022 to 2.9% this year to 3.1% in 2024.

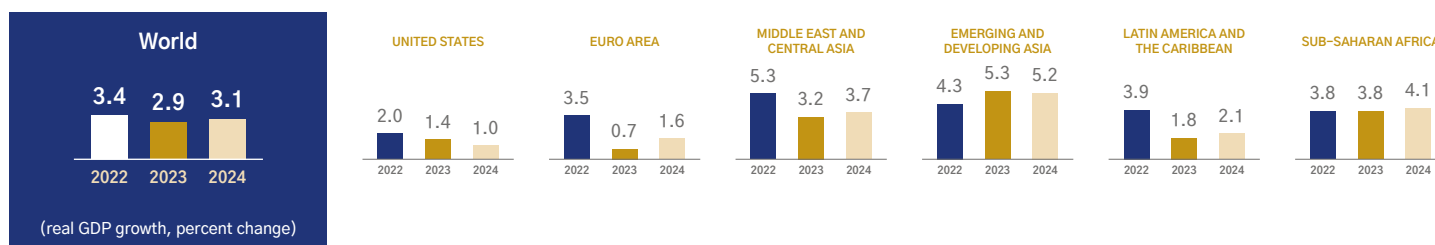
“Growth will remain weak due to the fight against inflation and Russia’s war with Ukraine,” he added, “despite these headwinds, the outlook is less gloomy than the October forecast and could represent a turning point, with growth bottoming out and inflation falling. Economic growth proved surprisingly resilient in the third quarter of last year, with a strong labor market, household consumption and business investment equally robust, as well as a better-than-expected adjustment by Europe to the energy crisis.”

“Inflation trends,” Gourinchas continues, “have also shown improvement, falling in most countries, although so-called ‘core’ inflation, net of food and energy, has yet to peak in many countries. The Washington Institute’s head of Research then highlights how, “China’s reopening paves the way for a rapid rebound in activity. Global financial conditions have improved while inflationary pressures have begun to subside.”

WORLD ECONOMIC OUTLOOK UPDATE JANUARY 2023

GROWTH PROJECTION BY REGION

(PERCENT CHANGE)



IMF.org/social

Source: IMF, World Economic Outlook Update, January 2023.

Note: Order of bars for each group indicates (left to right): 2022, 2023 projections, and 2024 projections.

The italian economy³

Economic activity appeared resilient to international turmoil

The growth phase of the Italian economy continued during 2022, despite the economic tensions originating from the conflict between Russia and Ukraine. Based on data acquired as of the third quarter, GDP growth was attributable to all major demand components, and in terms of supply it was mainly driven by trade and transportation services. The expansion of GDP in the summer months (by 0.5% compared to the second quarter) was followed by a marginal decline in the final part of 2022, by 0.1%. The level of activity reached values almost two percentage points higher than at the end of 2019, more than in Germany and France (Fig. 3). The value added in services strengthened in the fourth quarter, while that in agriculture and industry declined. On the demand side, the negative contribution of the domestic component (before inventories) was partially absorbed by the positive contribution of net foreign demand. Overall, in 2022, based on quarterly accounts, GDP increased by 3.9%, more than in the euro area, the United States and China. The growth of the Italian economy calculated on annual data could be just lower, due to the correction for calendar effects. The statistical drag for the current year is 0.4 percentage points.

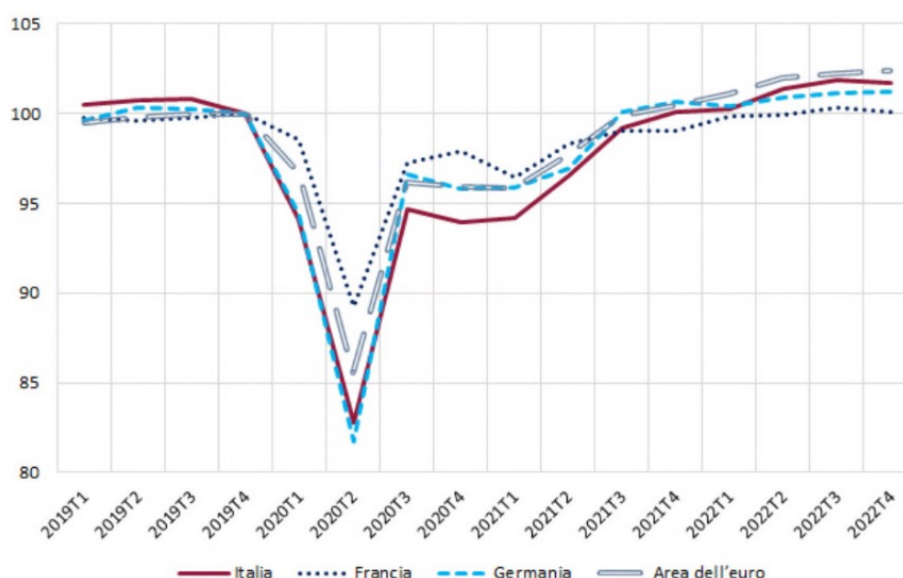


Fig. 3 – GDP of the euro area and its three largest economies. (Index numbers, 2019T4=100)

³Source: Upb note on the economy – February 2023.

After the jump marked in the spring months, private consumption grew by 2.5% in the third quarter. In the average for the first nine months of 2022, consumption was mainly driven by purchases of services; the contributions from spending on durable and semi-durable goods were also positive, while there was a marginally negative contribution from purchases of non-durable goods, which had been little affected by the pandemic. Household spending in the summer was only minimally fueled by the increase in purchasing power (0.3% in cyclical terms), as the increase in nominal incomes (1.9%) was largely eroded by rising prices (1.6%). This resulted in a marked reabsorption of the propensity to save, which fell to 7.1% of disposable income (from 9.0 in the previous quarter), about one percentage point below the average for the two-year period before the pandemic. Households remain cautious: despite recoveries in November and December, the consumer confidence index in the fourth quarter was about five points lower than the average for the first nine months of last year; in January it declined (to 100.9 from 102.5 in December) mainly attributable to worse judgments about households' current economic situation.

Investment slows and some credit tensions appear

Capital accumulation last year strengthened, standing at levels almost a fifth above those just before the pandemic (the final quarter of 2019). The year-over-year trend in investment, however, was characterized by a marked slowdown (from 3.8% in the January–March average to 0.8% in the summer period). The dynamics of accumulation in 2022 reflected the good performance of the plant and machinery component and, to an even greater extent, that of construction, which continued to benefit from substantial government incentives. The investment rate, the ratio of gross fixed capital formation to value added, remained in the summer at a level (25.0%) close to its highest value in the past decade; the profit ratio, measured as gross operating surplus over value added at basic prices of nonfinancial corporations, interrupted in the summer the downward trend that began in 2021, stabilizing at 39.8%. The final foreshortening of 2022 was marked by a weakening of the credit market, attributable to both worsening expectations about the economy's performance and deteriorating financing conditions (Fig. 4), which were affected by the normalization of monetary policy. The rise in official rates is reverberating on the cost of bank loans; the average interest rate on new bank loans to businesses rose in November to 2.9%, the rate on flows to households was just above; in both cases these are higher than the medium- to long-term inflation expectations inferable from financial futures contracts. The waning of the ECB's purchase programs (quantitative easing) also reduces the liquidity available to intermediaries for lending to nonfinancial sectors in the euro area fig.4.

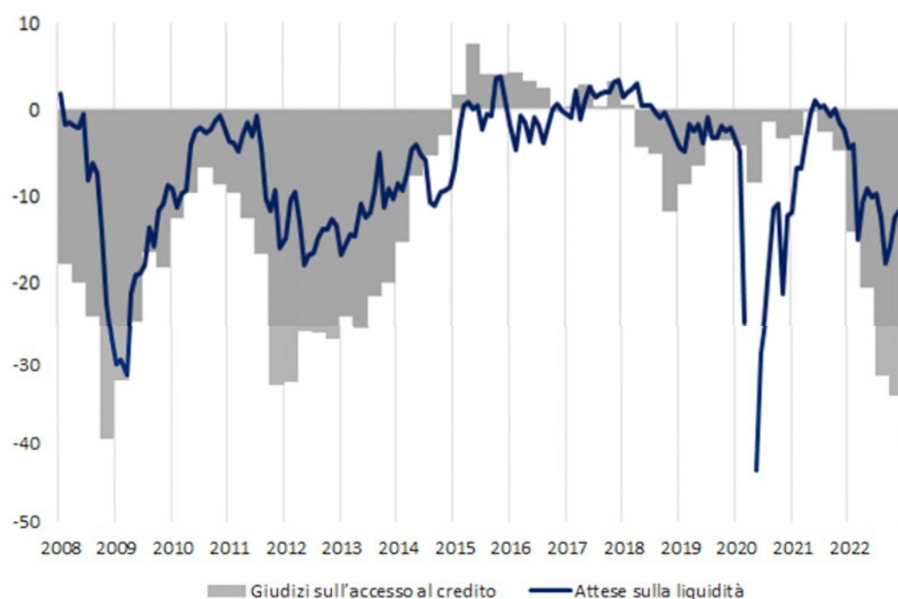


Fig. 4 – Credit judgment and liquidity expectations in manufacturing

Economic activity in the three-year period 2022–24

The pre-consensus takes into account the slight cyclical decline in GDP last quarter (-0.1% according to Istat's preliminary estimate), on the basis of which economic activity would have increased in 2022 as a whole by 3.8% in the annual data (Tab. 1), just less than in the quarterly series (3.9%). This year, the economy would definitely slow down, although it would continue to expand (0.6%); after a still weak first quarter due to persistent global tensions, growth would gradually strengthen, taking advantage of easing inflationary pressures. In 2024, GDP dynamics would consolidate at 1.4% , assuming the gradual improvement of the international geopolitical and economic environment. The forecast assumes the full implementation of the National Recovery and Resilience Plan (NRP) investment programs agreed at the EU level, but also the continuation of the ECB's restrictive monetary policy cycle inaugurated in the second half of last year.

DESCRIPTION	2021	2022	2023	2024
International exogenous				
International trade	9,8	5,2	0,6	4,6
Oil price (brent, dollars per barrel)	78,2	100,8	83,9	78,9
Dollar/euro exchange rate	1,18	1,05	1,09	1,11
Price of natural gas (ttf, euro/mwh)	46,5	132,0	66,8	64,9
Italian framework				
Gdp	6,7	3,8	0,6	1,4
Imports of goods and services	14,7	13,8	1,9	2,5
Domestic final consumption	4,2	3,5	0,5	0,5
▪ Household and isp consumption	5,2	4,3	1,1	0,9
▪ Pa expenditure	1,5	1,1	-1,6	-0,8
Investment	16,5	9,5	2,6	2,8
Exports goods and services	13,4	10,3	1,2	4,0
Contributions to gdp growth				
Net exports	0,1	-0,8	-0,3	0,5
Stocks	0,3	-	-	-
Domestic demand net of inventories	6,3	4,6	0,9	1,0
Prices and nominal growth				
Imports deflator	9,7	21,1	-6,0	-0,9
Export deflator	5,0	10,4	-4,5	-0,1
Consumption deflator	1,6	7,0	4,7	2,7
Gdp deflator	0,5	2,3	3,9	2,8
Nominal gdp	7,3	6,2	4,6	4,3
Labor market				
Labor cost per employee	0,7	2,2	2,4	2,4
Employment (working units per year)	7,6	4,5	0,5	1,0
Unemployment rate	9,5	8,1	7,9	7,7

Tab. 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 numbers of finance in 2022⁴

Financial markets close out a difficult year, in which a series of negative developments (deteriorating U.S.–China relations, Covid–19 pandemic and problems caused along production chains, Russian invasion of Ukraine, and increased pressure on energy resources) have been discounted.

Almost always in the past when the stock market went down due to worsening economic conditions, the bond segment went up due to the expectation of falling rates. This made it possible to offset or reduce losses within a balanced portfolio.

But this time, rates in the bond world were already very low, somewhat around the world. The late and aggressive raising of rates by Central Banks created a formidable liquidity vacuum that caused a re–pricing of major assets, including bonds, both short and long duration.

Increased risk aversion caused sharp declines in indexes such as the Nasdaq, but also in high–yield bonds and cryptocurrencies, which were the assets that suffered the biggest losses.

Stocks. One of the worst years for stock markets around the world comes to a close. On Wall Street, the Dow Jones index lost 9.2% while the Nasdaq Composite technology index plummeted 33.8%. In Italy, the Milan Stock Exchange has lost 12.5% since the beginning of 2022 (data as of the close of Thursday, December 29).

Government Bonds. Greece's was the worst market for government bonds at –14.35%, closely followed by the Netherlands and Italy at –13.69%, while those of Spain (–11.36%), France (–10.77%), Portugal (–10.37%) and Germany (–10.35%) held up best, which, albeit with a double–digit negative result, ranks as the best market in the euro area for European government bond portfolios.

Funds. Surprise from Turkey: investment funds specializing in the Ankara stock market boomed during 2022. The best were the Turkey country equity funds that focused on the performance of the Msci Turkey index, which has risen about 100% in U.S. dollar terms since the beginning of the year (although in euro terms the figure is halved due to the exchange rate effect).

Cryptocurrencies. Bitcoin lost more than 60% of its value at the beginning of the year; Ethereum did worse, –66%.

Commodities. Coffee, natural gas and oil were the commodities that appreciated the most, with rises of 75%, 51% and 40%, respectively. Extreme weather conditions and new plant diseases will also make supplies more complicated in the coming year.

Fashion. The global luxury market grew 21% to 1.4 trillion euros thanks to the ability to maintain prices for high–end goods, even though it lost 27% in one year on the stock market.

⁴Source: Milan Finance.

Real estate. House prices in Europe posted an overall increase of 9.9% in spite of war, inflation and pandemic. In 2023, slowing demand may have slight repercussions on prices, averaging -5%.

Among major European capitals, only Paris is already registering a 0.8% decline in 2022. London's brick, on the other hand, is up 7%. In Milan, the best house price appreciation is in the Palestro-Venezia neighborhood (+3%).

The San Marino scenario⁵ – the statistics bulletin of the fourth quarter 2022

Enterprises

The total number of enterprises present and operating in the Republic, as of 31 December 2022, was 5,049 units recording an increase of 92 companies (+1.9%) compared to 31 December 2021. Analyzing the trend over the past year, the sectors that have recorded the most significant positive changes are “Professional, scientific and technical activities” (+55 units or +5.7%), “Information and communication services” (+15 units or +7.7%), “Arts, Sports, Entertainment and Amusement activities” (+13 units or +8%) and “Financial and insurance activities” (+13 units or +16.7%). Sectors in which the number of active enterprises decreased are “Construction” (-16 units or -4.1%), “Health and Social Welfare” (-6 units or -4.2 %) and “Manufacturing Activities” (-6 units or -1.2%).

As of December 2022, the most common legal form is corporate, accounting for 57.8% of enterprises, with 2,919 units (+136 units in 2022) followed by freelance activities, which number 720 (14.3% of the total). The 348 handicraft enterprises account for 6.9% of the total and have decreased by 17 units in the last year, as well as commercial enterprises, which amount to 283 and have decreased by 18 units. Most enterprises in our territory are small, 44% have 1 to 9 employees and 49% have no employees.

⁵ Source: San Marino Fixing.

NUMBER OF COMPANY	2021	2022	Delta amount tra periodi	Delta % tra periodi
Agriculture, forestry and fishing	60	59	-1	-1,7%
Manufacturing activities	493	487	-6	-1,2%
Water supply; sewerage networks, waste management and remediation activities	6	7	1	16,7%
Construction	390	374	-16	-4,1%
Wholesale and retail trade; repair of motor vehicles and motorcycles	1.109	1.110	1	0,1%
Transportation and warehousing	110	118	8	7,3%
Accommodation and food services activities	194	191	-3	-1,5%
Information and communication services	194	209	15	7,7%
Financial and insurance activities	78	91	13	16,7%
Real estate activities	287	298	11	3,8%
Professional, scientific and technical activities	963	1.018	55	5,7%
Rental, travel agencies, business support services	184	190	6	3,3%
Public administration and defense; compulsory social insurance	2	2	-	-
Education	50	56	6	12,0%
Health care and social assistance	143	137	-6	-4,2%
Arts, sports activities, entertainment and amusement	162	175	13	8,0%
Other service activities	530	525	-5	-0,9%
Extraterritorial organisms and organisations	2	2	-	-
Total	4.957	5.049	92	1,9%

Tourism

Tourism In 2022, the influx of tourists amounted to 1,924,536 visitors (+42% compared to 2021), surpassing 2019 attendance by 1%. Analyzing the monthly trend of visitors shows positive balances for each month of 2022 compared to the previous year, the largest percentage increases were recorded in the first four months.

The month with the highest number of admissions is August, followed by July, while in October and December the percentage increase in visitors compared to 2021 was 33%.

As for stopover tourism, in 2022 there were 109,682 arrivals (+16.5% compared to 2021) for a total of 202,406 overnight stays (+11.5%), with an average of 1.8 nights spent for each person who arrived.

Employment and unemployment

As of 31 December 2022, the total labor force is 23,674, compared to 31 December 2021, there is an increase of 463 (+2%). There are 17,597 employees in the private sector and, together with those in the public sector,

account for 90% of the labor force. The other components of the labor force are represented by 1,542 self-employed workers (6.5% of the labor force) and 824 total unemployed (3.5%), of whom 508 are unemployed in the strict sense.

Employees in the private sector, increased by 548 workers (+3.2%) in the past year; the sectors with the most significant positive changes are “Trade” (+159 workers or +5.5%), “Manufacturing Activities” (+190 workers or +2.8%), “Professional, Scientific and Technical Activities” (+80 workers at +8.4%), “Information and Communication Services (+65 workers or +7.2%) and “Financial and Insurance Activities” (+58 workers or +9.7%). The number of workers decreased in the sectors, “Accommodation and Food Services Activities” (–65 workers or –6 %) and “Activities of Households and Cohabitations as Employers for Domestic Staff, Production of Undifferentiated Goods and Services for Own Use by Households and Cohabitations” (–48 workers or –9.9%).

In the Enlarged Public Sector, the number of workers increased by 157 from the end of 2021, settling at 3,711; the annual average number of workers increased by 15 from the previous year.

Looking at the change in the number of workers within the Entities during 2022, we find that the number of workers employed increased by 88 in the Public Administration and 63 at the Social Security Institute.

In the past 12 months, the number of cross-border workers has increased by 8.1% to 7,199 workers (+540), accounting for 33.8% of total employees. In the breakdown by qualification, cross-border workers are mainly “Blue-collar workers” (56.8%) and “White-collar workers” (41.1%), while only 1.7% fall under managers.

As of 31 December 2022, the total unemployed amounted to 824 (–206 compared to 31 December 2021); of these, 508 are unemployed in the strict sense (–177 compared to 31 December 2021), i.e., those who are immediately available to enter the labor force. In the latter category, 33% are male and 67% female; last year the percentages were 26% and 74% respectively. The prevailing educational qualification is high school diploma (30.7% of the total), while the percentage of unemployed graduates is 11.6% with 59.

Fitch confirmed San Marino's long-term foreign currency IDR (Issuer Default Rating) at 'BB' with a stable outlook⁶

In its statement dated 10.02.23 Fitch confirmed the rating and maintains the outlook at stable. In the previous assessment, the aforementioned agency had lowered the rating from BB+ to BB, albeit with a stable outlook. Below are the main factors that emerge from reading Fitch's statement.

San Marino's "BB" rating is supported by high income levels, with GDP per capita closer to the "AAA" average than the "BB" median, a resilient export sector and a large net external credit position, and a stable political system. The rating is weighed down by a high debt burden and poor asset quality in the large banking sector.

The very small size of the economy, limited administrative capacity reflected in data quality problems and low growth potential are also key weaknesses.

Large refinancing needs in 2024: San Marino will need to refinance its sole Eurobond (€340 million, or 21.6% of GDP) in 2024, given its limited cash reserves and poor domestic bond market development. Fitch expects this to be achieved, although there is some uncertainty about the terms given the global monetary squeeze and the short record of market access (and only with a three-year maturity).

Inflation lower than peers: with an average of 5.9% in 2022, inflation was well below the eurozone and "BB" median of 9.2% and 7.4%, respectively, due to lower energy price increases and more moderate wage growth;

Upward economic growth: revised upward growth estimates to 8.3% (from 5.0%) for 2021 and 4.0% (from 3.0%) for 2022 from last revision. Export-oriented manufacturing was a key source of growth, while tourist arrivals exceeded 2019 levels in 2022. At 5.1% in 2022, the unemployment rate is at its lowest level in more than 12 years, while labor force participation has been very high, driven by strong growth in cross-border employment. Growth will slow to 0.8% in 2023, taking into account an expected mild recession in neighboring Italy. In the medium term, growth will benefit from further integration into the EU's internal market. San Marino is currently negotiating an Association Agreement with the EU, and the agreement could be ratified and implemented as early as 2024.

Banking sector improvements and challenges: the large and overcrowded San Marino financial sector has made progress in improving profitability and liquidity levels, but continues to suffer from relatively weak capitalization, fragile profitability and exceptionally high impaired loans (NPLs).

⁶ Fitch Ratings release.

San Marino financial system⁷

In the Quarterly Bulletin reported for the fourth quarter among the activities of Central Bank RSM we find:

- a. the annual meeting of the Joint Committee established by the Monetary Agreement, including for the purpose of assessing San Marino's progress in the transposition of the *acquis communautaire* in the banking, financial and monetary fields;
- b. primary-ranking regulatory acts that resulted in impacts for the banking system (with the planned transfer to CBSM of assets seized at banks), for customers of the former CIS Bank (with the issuance of new government bonds related to the conversion of SNB bonds originally issued to those who held deposits exceeding the protected threshold of €100,000 at CIS Bank;
- c. regulatory changes introduced concerning the system securitization of impaired loans, including providing rules in terms of prudential absorption; The NPL project has systemic significance in terms of stabilization and development of the banking system;
- d. meetings and technical discussions with experts from the International Monetary Fund, pursuant to the annual mission of Art.IV;
- e. Dialogue with the Secretariat of State for Finance and the Directorate of European Affairs of the Department of Foreign Affairs in relation to the path of San Marino's association with the European Union (in-depth analysis of financial supervision aspects);
- f. dialogue with other European and non-European Supervisory Authorities aimed, on the one hand, at strengthening international cooperation, including in payment services, and, on the other hand, at concluding agreements for the exchange of information in insurance matters.

Authorized parties

As of 31 December 2022, 10 companies were listed in the Register of Authorized Persons and 2 companies were listed in the Directories of Foreign Financial Enterprises.

⁷Source: quarterly information bulletin of central bank RSM-fourth quarter 2022.

Banking system data

As of 31 December 2022, savings deposits marked a -21 million compared to 30 September 2022 at 3,663 million (-0.6%). Amounts due to customers (2,704 million), are up 19 million (+0.7%) while debts represented by financial instruments, at 956 million, are down 40 million (-4.1%). Indirect deposits increased by 226 million (2,098 million +12.1%). Custody and administration of financial instruments is up +223 million. The variance was affected by the issuance of government bonds (deposited with a San Marino bank), of which about 55 million with maturity 31 December 37 and for about 87 million with maturity 31 December 2042 assigned to the Asset Management Company formerly BNS S.p.A. and intended for holders of BNS bonds with maturity 22 July 2024 and 22 July 2026. The trend in indirect deposits was also affected by the market effect and investments made by customers, even with a decrease in direct deposits.

As of 31 December 2022, gross loans to customers (1,976 million) decreased by 126 million. Gross doubtful loans of 1,111 million were down 113 million (mainly in the technical form of restructured and non-performing loans). Gross non-performing loans of 467 million are down 36 million from the previous quarter. There were write-offs of fully adjusted bad debts partially offset by the recording of non-performing loans attributable to the assets of two closed-end mutual funds, alternative and reserved for professional customers, which were liquidated in the reporting quarter. The funds mentioned at the bottom were established in connection with specific legislative measures aimed at system operations and the protection of savings.

Net loans to customers (1,193 million), compared to 30 December 2022, decreased by 85 million (-6.7%), of which performing loans - 12 million and net doubtful loans - 73 million. In relation to the latter, net restructured loans (- 59 million) include a transaction carried out by an institution to waive the loan to a subsidiary.

Gross doubtful loans are 56.2 % of gross loans, while net doubtful loans are 28.1 % of net loans.

In the fourth quarter of 2022, the net worth of the banking system was 297 million, an increase of 15 million from the previous quarter. The variance was caused by the results for the period of the banking system (+8.6 million compared to 30 September 2022) and revaluations of business assets (+6.7 million) made by an intermediary (ref. Law No. 207 of 22 December 2021).

SAN MARINO BANKING SYSTEM	30/09/2022	31/12/2022	Delta ctv	Delta %
Total deposits	5.560	5.767	207	3,7%
Direct Deposits	3.688	3.669	-19	-0,5%
Savings Deposits	3.684	3.663	-21	-0,6%
Due to customers	2.684	2.704	19	0,7%
Debts represented by financial instruments	997	956	-40	-4,1%
Interbank deposits	4	6	2	43,2%
Indirect Deposits	1.872	2.098	226	12,1%
Asset under management	339	340	2	0,4%
Custody and administration of financial instruments	1.399	1.622	223	16,0%
Custodian bank activity	135	136	1	0,9%
Gross loans to customers (including Leasing)	2.102	1.976	-126	-6,0%
of which Doubtful loans	1.224	1.111	-113	-9,2%
Net loans to customers (including Leasing)	1.279	1.193	-85	-6,7%
of which Performing loans	870	858	-12	-1,4%
of which Doubtful loans	408	336	-73	-17,8%
of which Non performing loans	179	179	-	0,1%
of which Impaired loans	108	92	-16	-14,7%
of which Restructured loans	121	62	-59	-49,0%
of which Past due loans	-	3	2	-5,7%
Net equity	281	297	15	5,4%

Source: "Central Bank RSM, information bulletin Q4 2022, data in millions of euros".

Other relevant facts

In July 2022, the public debt security "Republic of San Marino, Fixed Rate 1%, July 21, 2032" was issued in the nominal amount of 53,770,000 reserved in issue to the Asset Management Company formerly BNS S.p.A.

The regulatory framework evolution and compliance activity

San Marino legislation and regulations and compliance activity

The primary legislation enacted by the Legislature in the year 2022, as a result of the serious conditions of instability due to the conflict that arose in Ukraine, primarily concerns provisions consequent to countering activities that threaten international peace and security.

Also of note during the current fiscal year is the issuance of the general provisions related to the pandemic status from Covid-19, declaring the termination of the state of public health emergency.

Banking and financial regulation

In banking and financial matters, the regulatory framework evolution of the Republic of San Marino has continued under the banner of the transposition of additional EU Directives (the *acquis communautaire* in financial matters) as established in the Monetary Convention signed between the Republic of San Marino and the European Union on 27 March 2012, made executive by Council Decree no. 120 of 7 August 2012.

The measures issued by Central Bank of the Republic of San Marino, in the year 2022 are mentioned below:

- **Regulation 2022-01 “Miscellany of Targeted Revision Interventions to Existing Supervisory Provisions,”** mainly intends to reshape the regulatory standards on prudential weighting of assets, as well as the procedures and requirements for non-establishment access to the San Marino market by foreign financial firms, taking into account the different level of regulatory equivalence.
- **Regulation 2022-02 “Extraordinary Fund for Protection from Financial Fraud,”** issued in implementation of Delegated Decree 168/2018 regulates the procedures for reimbursement of individuals, natural persons, who prove that they have suffered a financial loss resulting from the perpetration of fraud or scams, as defined and ascertained in accordance with the provisions of the aforementioned Decree and subsequent amendments, and demonstrate, as well, the absence of concrete possibilities for recovery of the financial assets lost, employed or invested.
- **Regulation 2022-03 “Regulations for Updating the Rules on Transparency to Investors in Mutual Funds,** aimed at implementing Article 17 of Delegated Decree No. 8 of 24 January 2022 “Financial Provisions in Transposition of Regulations (EU) 648/2012, 909/2014, 2015/2365 and 1011/2016” in order to amend the existing regulations issued on collective investment services, in accordance with the relevant

provisions of Articles 13 and 14 of Regulation (EU) 2015/2365 on Transparency of Securities Financing Transactions.

- **Regulation 2022-04 “Regulation on Securitization Transactions and Related Servicers” and Circular 2022-01 “Circular on the Prudential Regime of System Securitization,”** aimed at implementing Law 157/2021 and Art.5 of Delegated Decree No. 126 of 27 July 2020 “New Mission of Banca Nazionale Sammarinese S.p.a.”, so as to complete the regulatory framework necessary for the implementation of the “system securitization”, pending the appointment of the Arranger and that IGRC is established, as the system servicer in application of Delegated Decree No. 100 of 6 July 2022 “Statute Institute for the Management and Recovery of Credits – I.G.R.C. S.p.a.”

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

- **Delegated Decree No. 8 of 24 January 2022 “Ratification of Delegated Decree Dec. 24, 2021 No. 211 “Provisions on financial matters in transposition of Regulations (EU) No. 648/2012, 909/2014, 2365/2015, and 1011/2016,” in compliance with** the provisions of the Monetary Agreement between the Republic of San Marino and the European Union, transposes, among others, Regulation (EU) 2016/1011 “Benchmark Regulation (BMR),” containing provisions regarding the dissemination and use by authorized entities of “reference indices” or “benchmarks,” understood as indices in relation to which the amount to be paid in financial instruments and financial contracts or to measure the performance of a mutual fund is determined.
- **Law No. 80 of 24 May 2022, “Norms to facilitate and simplify the start-up of economic activities,”** making innovations to the company law (Law 47/2006), regarding meeting and board meetings by teleconference, term of office of directors and auditors, and keeping of company books.
- **Law No. 94 of 24 June 2022 “Change to the Budget of the State and Public Entities for the 2022 Financial Year and Amendments to Law No. 207 of 22 December 2021,”** containing amendments to Finance Law 150/2012 regarding the transfer of tax benefits to other authorized entities and the introduction of programmatic regulations aimed at amending Law 191/2011 (FondISS Law) and modifying the tax regulation of trusts.
- **Law No. 148 of 25 October 2022 “II Change to the Budget of the State and Public Bodies for the 2022 Financial Year and Amendments to Law No. 207 of 22 December 2021,”** we highlight the provisions provided for seizures under the provisions on criminal matters, which provide for the transfer of bank reports seized by the Criminal Judicial Authority to dedicated reports opened at the Central Bank.
- **Law No. 171 of 23 December 2022 “State and Public Entity Budgets for the 2023 Financial Year and Multi-Year Budgets 2023/2025,”** which entered into force on 28 December 2022, containing in Article 10 – Delegations to the Congress of State, a forecast of programmatic

regulations, aimed at enhancing the process of integration into the European Union.

- **Delegated Decree No. 61 of 11 April 2022 “Issuance of Public Debt Securities – Republic of San Marino, fixed rate 0.80%, 2 June 2023,”** providing for the placement of public debt securities exclusively in the territory of the Republic of San Marino.
- **Delegated Decree No. 168 of 16 December 2022 (Ratification of Delegated Decree No. 161 of 5 December 2022)**
- **Delegated Decree No. 169 of 16 December 2022 (Ratification of Delegated Decree No. 162 of 5 December 2022)** both provide for the issuance of the following public debt securities reserved for the Asset Management Company formerly SNB S.p.A.

The following additional measures are cited:

- on the subject of mortgage encumbrances, mention is made of the provisions **Delegate Decree No. 113 of 8 August 2022 Delegated Decree No. 133 of 16 September 2022, Delegated Decree No. 143 of 21 October 2022 (Ratification of Delegated Decree No. 133 of 16 September 2022) “Renewal of Mortgage Registrations.”**
- In the field of labor law, **Law No. 157 of 29 November 2022 “Reform of the social security system.”**
- Publication of the **Guidelines (Version 2.0) on automatic exchange of information**, containing insights on trusts and trustee compliance.

Anti-money laundering legislation and regulations

In the area of AML/CFT, the following are the measures and FIA publications:

- **Decree Law No. 41 of 22 March 2022 (Ratification of Decree Law No. 27 of 4 March 2022) “Useful Actions to Ensure International Peace and Security and the Extraordinary and Temporary Introduction of the Ukraine Emergency Provisional Residence Permit,”** the Congress of State is mandated to adopt restrictive measures by special resolution in accordance with similar measures adopted by the European Union or other state, in order to ensure international peace and security.
- **Decree Law No. 59 of 7 April 2022 “Trade restrictive measures implementing Decision (EU) 2014/512/CFSP of the Council of the European Union as amended and Regulation (EU) 833/2014 of the Council of 31 July 2014, as amended,”** the provisions concern the countering of activities that threaten international peace and security, and are applied in order to timely implement trade restrictive measures related to dual-use goods, goods and technologies, goods usable for oil refining, suitable for use in aviation and navigation, steel products, luxury goods, military equipment. The Decree introduces the competent authorities respectively the Finance Department for approvals and the

Tax Office empowered to impose penalties. The Restrictive Measures Committee operates under Law No. 57 of 29 March 2019 on Countering Terrorism.

- **Decree Law No. 67 of 28 April 2022 (Ratification of Decree Law No. 35 of 15 March 2022) Restrictive Measures Implementing Decision 2014/145/CFSP of the Council of the European Union, as amended, and Council Regulation (EU) 269/2014 of 17 March 2014,”** the provisions relate to countering activities that threaten international peace and security, and are applied in order to promptly implement the restrictive measures of the European Union, such as measures to freeze funds and economic resources against listed entities.
- **Decree Law No. 68 of 28 April 2022 (Ratification of Decree Law No. 60 of 8 April 2022) “Financial restrictive measures implementing Decision (EU) 2014/512/CFSP of the Council of the European Union as amended and Regulation (EU) 833/2014 of the Council of 31 July 2014, as amended”** the provisions concern the countering of activities that threaten international peace and security, and apply for the purpose of implementing the European Union’s restrictive measures of a financial nature relating to financing, investment services and collective investment services provided to major credit institutions, publicly owned or controlled entities, enterprises and entities controlled or participated in by Russia its government or Central Bank, blocking transactions in Russian government securities, blocking the taking of deposits above the threshold of Russian citizens or residents and the sale of euro financial instruments to such entities, blocking financial messaging services to Russian credit institutions, transfer of euro banknotes, financial services instrumental to strategic sectors, and the Russian Direct Investment Fund.
- **Congress of State Resolution No. 13 of 11 July 2022 Update High Risk Countries under Article 16 undicies of Law 92/2008.”**
- **Delegated Decree No. 141 of 5 October 2022, “Cross-border transfer of cash,”** containing the new provisions regarding controls on cash entering or leaving the Republic of San Marino for the transposition of EU Regulation 2018/1672 into San Marino law as harmonization to international standards on preventing and combating money laundering and terrorist financing. The Decree will come into force on 30 June 2023.
- **FIA Newsletter 2022/01 published on 01 June 2022 “News related to countering money laundering and terrorist financing published on major national and international websites”** reporting the latest trends related to the economic sectors most involved in Italian and European investigations. FIA points out that understanding and monitoring these aspects are essential for interpreting any signs of anomalies useful for the purpose of consciously complying with due diligence and reporting obligations.
- **FIA Newsletter 2022/02 published on 01 June 2022 “Special Edition Restrictive measures adopted by the European Union following the Russian-Ukrainian crisis and their implementation by the Republic of**

San Marino.”

- **FIA Newsletter 2022/03 published on 14 July 2022 “News related to the fight against money laundering and terrorist financing published on the main national and international sites,”** reporting the latest trends related to the economic sectors most involved in the investigations conducted at the Italian and European level, which are essential for interpreting any signs of anomalies that are also useful for the purpose of complying with customer due diligence and reporting obligations. Cases analyzed by Europol, Interpol, the Guardia di Finanza and crimes under investigation are highlighted.
- **FIA Newsletter 2022/04 published on 14 December 2022 “News related to the fight against money laundering and terrorist financing published on the main national and international sites,”** like the previous publication, contains the latest trends related to the economic sectors most involved in the investigations conducted at the Italian and European level, which are essential for interpreting any signs of anomalies that are also useful for the purpose of complying with customer due diligence and reporting obligations. Cases analyzed by Europol, Interpol, the Guardia di Finanza and crimes under investigation are highlighted.

Major legislative interventions in the San Marino legal system

NORMATIVE REFERENCE	TITLE
FIA Newsletter 2021/05 published on 13 January 2022	"News related to combating money laundering and terrorist financing published on major national and international websites"
Decree Law No. 3 of 14 January 2022	"Strengthening Provisions for Countering the Spread of Covid-19 Infection"
Decree Law No. 5 of 21 January 2022 (Ratification of Decree Law No. 215 of 31 December 2021)	"General and Administrative Provisions Related to the Covid-19 Pandemic."
Decree Law No. 6 of 21 January 2022 (Ratification of Decree Law No. 3 of 14 January 2022)	"Strengthening Provisions for Countering the Spread of Covid-19 Infection"
Delegated Decree No. 8 of 24 January 2022 (Ratification of Decree No. 211 of 24 December 2021)	"Provisions on financial matters in the implementation of Regulations (EU) 648/2012, 909/2014, 2365/2015 and 1011/2016"
Decree Law No. 9 of 24 January 2022 (Ratification of Decree Law No. 212 of 24 December 2021)	"Method of repayment of sums to the trustees of S.M.I. S.p.a."
Delegated Decree No. 13 of 1 February 2022	"Determination of the maximum annual salary referred to in Article 32, sixth paragraph, of Law No. 15 of 11 February 1983, as amended"
Delegated Decree No. 14 of 1 February 2022	"Change in the cost of living and related coefficients referred to in Article 32, ninth paragraph, of Law No. 15 of 11 February 1983, as amended"
Decree Law No. 20 of 18 February 2022	"Relaxation of provisions to counter the spread of Covid-19 infection"
Delegated Decree No. 22 of 23 February 2022	"Transitional Provisions for the Presentation of Financial Statements of Economic Operators."
CBSM Regulation 2022-01 published on 23 February 2022	"Miscellany of Targeted Revisions to Existing Supervisory Provisions"
BCSM Regulation 2022-02 published on 24 February 2022	"Extraordinary Financial Fraud Protection Fund"
Law No. 24 of 2 March 2022	"Provisions to implement the guarantees and efficiency of the criminal justice process."
Decree Law No. 27 of 4 March 2022	"Useful Actions to Ensure International Peace and Security and Extraordinary and Temporary Introduction of the Provisional Residence Permit for Ukraine Emergency"
Decree Law No. 28 of 4 March 2022	"Interventions to support business operators and families following the health emergency from Covid-19"
Decree Law No. 29 of 7 March 2022 (Ratification of Decree Law 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. 35 of 15 March 2022	"Restrictive measures implementing Decision 2014/145/CFSP of the Council of the European Union as amended and Council Regulation (EU) 269/2014 of 17 March 2014"
Decree Law No. 36 of 17 March 2022 (Ratification of Decree Law No. 20 of 18 February 2022)	"Easing of provisions to counter the spread of Covid-19 infection"
Law No. 38 of 18 March 2022	"Amendments to Law No. 7 of 29 January 1992 – General Regulatory Plan (G.R.P.) for the implementation of interventions aimed at the entrepreneurial, economic and employment development of the Republic of San Marino and for the implementation of community services"
Decree Law No. 41 of 22 March 2022 (Ratification of Decree Law No. 27 of 4 March 2022)	"Useful Actions to Ensure International Peace and Security and Extraordinary and Temporary Introduction of Provisional Residence Permit for Ukraine Emergency"
Regulation No. 4 of 23 March 2022	"Provisions for the Implementation of the Decree-Law" "Useful Actions to Ensure International Peace and Security and the Extraordinary and Temporary Introduction of the Provisional Residence Permit for Ukraine Emergency"
Delegated Decree No. 49 of 23 March 2022	"Update on rent for real estate used for residential purposes".
Delegated Decree No. 50 of 23 March 2022	"Update on rent of real estate used for professional, business and social activities"
Decree Law No. 54 of 29 March 2022	"Extension of extraordinary economic interventions in support of the economic emergency caused by Covid-19"
Decree Law No. 55 of 29 March 2022	"Termination of the State of Emergency from Covid-19 and General Provisions Related to the Current Covid-19 Pandemic Status"
Delegated Decree No. 56 of 4 April 2022	"Provisions on the simplification of the structure of the Civil Service Department, the Central Liaison Office UO and administrative procedures and activities"
Decree Law No. 58 of 6 April 2022	"Amendment to Decree Law No. 56 of 29 March 2020, as amended and provisions for the use of teleconferencing/ videoconferencing in meetings"
Decree Law No. 59 of 7 April 2022	"Trade restrictive measures implementing Council Decision (EU) 2014/512/CFSP of the Council of the European Union as amended and Council Regulation (EU) 833/2014 of 31 July 2014 as amended"
Decree Law No. 60 of 8 April 2022	"Financial restrictive measures implementing Council Decision (EU) 2014/512/CFSP of the Council of the European Union, as amended, and Council Regulation (EU) 833/2014 of 31 July 2014, as amended"
Delegated Decree No. 61 of 11 April 2022	"Issue of Public Debt Securities – Republic of San Marino, fixed rate 0.80%, 2 June 2023"
Delegated Decree No. 63 of 13 April 2022	"Management of periodic benefits provided by FondISS"

Decree Law No. 67 of April 28, 2022 (Ratification of Decree Law No. 35 of March 15, 2022)	"Restrictive measures implementing Decision 2014/145/CFSP of the Council of the European Union as amended and Council Regulation (EU) 269/2014 of 17 March 2014"
Decree Law No. 68 of 28 April 2022 (Ratification of Decree Law No. 60 of 8 April 2022)	"Financial restrictive measures implementing Council Decision (EU) 2014/512/CFSP of the Council of the European Union as amended and Council Regulation (EU) 833/2014 of 31 July 2014 as amended"
Decree Law No. 70 of 28 April 2022 (Ratification of Decree Law No. 58 of 6 April 2022)	"Amendment to Decree Law No. 56 of 29 March 2020, as amended and provisions for the use of teleconferencing/videoconferencing in meetings."
Decree Law No. 72 of 28 April 2022 (Ratification of Decree Law No. 55 of 29 March 2022)	Cessation of the State of Emergency from Covid-19 and general provisions related to the current pandemic status from Covid-19
Delegated Decree No. 73 of 29 April 2022 (Ratification of Delegated Decree No. 56 of 4 April 2022)	"Provisions on the simplification of the structure of the Civil Service Department, the Central Liaison Office and administrative procedures and activities"
Regulation No. 5 of 29 April 2022	"Implementing provisions referred to in paragraph 3 of Article 7bis "DURCS of appropriateness" of Delegated Decree No. 117 of 25 June 2021 as amended by Article 32 of Law No. 207 of 22 December 2021"
Delegated Decree No. 79 of 18 May 2022	"Interventions for employment, training and active labor policies"
Law No. 80 of 24 May 2022	"Rules to facilitate and simplify the start-up of economic activities."
Council Decree No. 85 of 30 May 2022	"Agreement between the Government of the Republic of San Marino and the Government of the Republic of Italy concerning the recognition and enforcement of judicial decisions on alternative measures to detention, alternative sanctions to imprisonment, conditional release and suspended sentence"
FIA Newsletter 2022/01 published on 01 June 2022	"News related to combating money laundering and terrorist financing published on major national and international websites"
FIA Newsletter 2022/02 published on 01 June 2022	"News related to combating money laundering and terrorist financing published on major national and international websites"
Decree Law No. 89 of 7 June 2022	"Extraordinary provisions for the payment of pension benefits following the application of restrictive measures to counter activities that threaten international peace and security"
Delegated Decree No. 90 of 21 June 2022 (Ratification of Delegated Decree No. 63 of 13 April 2022)	"Management of periodic benefits provided by FondISS"
Decree Law No. 93 of 21 June 2022 (Ratification of Decree Law No. 89 of 7 June 2022)	"Extraordinary Provisions for the Payment of Pension Benefits Following the Application of Restrictive Measures to Counter Activities Threatening International Peace and Security"
Law No. 94 of 24 June 2022	"Change to the Budget of the State and Public Bodies for the 2022 Financial Year and Amendments to Law No. 207 of 22 December 2021."

Delegated Decree No. 95 of 29 June 2022	"Update actuarial tables for calculating redemption contributions"
Decree Law No. 102 of 7 July 2022	"Amendment to Decree No. 15 of 26 April 1976 – Single text of legislative provisions on family allowances"
Congress of State Resolution No. 13 of 11 July 2022	"High Risk Countries Update Pursuant to Article 16 undicies of Law 92/2008"
FIA Newsletter 2022/03 published on 14 July 2022	"News related to combating money laundering and terrorist financing published on major national and international websites"
Delegated Decree No. 105 of 15 July 2022 (Ratification of Delegated Decree No. 79 of 18 May 2022)	"Interventions for employment, training and active labor policies"
Decree Law No. 111 of 1 August 2022	"Urgent and Temporary Changes in General Provisions Related to the Current Pandemic Status by Covid-19"
Delegated Decree No. 112 of 4 August 2022	Implementation rules of the "San Marino Card" Project.
Delegated Decree No. 113 of 8 August 2022	"Renewal of Mortgage Registrations."
Delegated Decree No. 115 of 22 August 2022	"Amendments to Law No. 47 of 23 February 2006 – Law on Corporations as amended."
Decree Law No. 124 of 31 August 2022 (Ratifying Decree Law No. 111 of 1 August 2022)	"Urgent and Temporary Changes in General Provisions Related to the Current Pandemic Status by Covid-19"
Decree Law No. 125 of 31 August 2022	"Amendments to the Provisions on the Provisional Residence Permit for Ukraine Emergency."
Decree Law No. 126 of 2 September 2022 (Ratification of Decree Law No. 102 of 7 July 2022)	"Amendment to Decree No. 15 of 26 April 1976 – Single text of the legislative provisions on family allowances."
Law No. 129 of 14 September 2022	"Family Support Interventions."
Delegated Decree No. 130 of 15 September 2022 (Ratification of Delegated Decree No. 112 of 4 August 2022)	Implementation rules of the "San Marino Card" Project.
Delegated Decree No. 133 of 16 September 2022	"Renewal of mortgage registrations."
Decree Law No. 134 of 16 September 2022	"Extension of deadlines for submitting the application for extraordinary amnesty building permit and adjustment of related deadlines"
Decreto Delegato 15 settembre 2022 n.130 (Ratifica Decreto Delegato 4 agosto 2022 n.112)	Norme di attuazione del Progetto "San Marino Card"
Decreto Delegato 16 settembre 2022 n.133	"Rinnovazione delle iscrizioni ipotecarie"
Decreto Legge 16 settembre 2022 n.134	"Proroga dei termini per la presentazione della domanda di concessione edilizia in sanatoria straordinaria e adeguamento dei termini ad essa correlati "
Decree Law No. 137 of 29 September 2022	"Changes to General Provisions Related to Current Pandemic Status by Covid-19"

Decree Law No. 138 of 29 September 2022 (Ratifying Decree Law No. 125 of 31 August 2022)	"Amendments to the Provisions on the Provisional Residence Permit for Ukraine Emergency."
Delegated Decree No. 141 of 5 October 2022	"Cross-border cash transfer."
Delegated Decree No. 143 of 21 October 2022 (Ratification of Delegated Decree No. 133 of 16 September 2022)	"Renewal of mortgage registrations."
CBSM Regulation 2022-03 published on 24 October 2022	"Regulations for Updating the Standards of Transparency to Investors in Mutual Funds"
Law No. 148 of 25 October 2022	"II Change to the Budget of the State and the Entities of the Enlarged Public Sector for the 2022 Financial Year, amendments to Law No. 207 of 22 December 2021, as amended"
Delegated Decree No. 152 of 15 November 2022	"Provisions on how to access, maintain and consult the register of companies referred to in Law No. 47 of 23 February 2006 – Law on Companies as amended"
CBSM Regulation 2022-04 published on 28 November 2022	"Regulations on Securitization Transactions and Related Servicers"
CBSM Circular 2022-01 published on 28 November 2022	"Circular on the prudential regime of securitization by system"
Law No. 157 of 29 November 2022	"Reform of the welfare system"
Law No. 158 of 29 November 2022	"Forms of support towards single pregnant women and single-parent households in particularly serious socio-economic situations"
Delegated Decree No. 161 of 5 December 2022	"Issue of Public Debt Securities – Republic of San Marino, fixed rate 1.50%, 31 December 2037"
Delegated Decree No. 162 of 5 December 2022	"Issue of Public Debt Securities – Republic of San Marino, fixed rate 1.75%, 31 December 2042"
Guidelines version 2.0 of 5 December 2022	"Automatic information exchange"
Law No. 164 of 9 December 2022	"Reform of employment-related regulations."
Delegated Decree No. 166 of 14 December 2022	"Definition of Maximum Spread and Nominal Interest Rate to be applied until 30 September 2023 to loans assisted by the state subsidy under Law No. 44 of 31 March 2015, as amended"
Delegated Decree No. 168 of 16 December 2022 (Ratification of Delegated Decree No. 161 of 5 December 2022)	"Issue of Public Debt Securities – Republic of San Marino, fixed rate 1.50%, 31 December 2037"
Delegated Decree No. 169 of 16 December 2022 (Ratification of Delegated Decree No. 162 of 5 December 2022)	"Issue of Public Debt Securities – Republic of San Marino, fixed rate 1.75%, 31 December 2042"
FIA Newsletter 2022/04 published on 14 December 2022	"News related to combating money laundering and terrorist financing published on major national and international websites"



Law No. 171 of 23 December 2022	"State and Public Entity Budgets for the 2023 Financial Year and 2023/2025 Multi-Year Budgets"
Decree Law No.172 of 30 December 2022	"Extraordinary interventions in the field of work to support the energy emergency."

Foreign branches

The Bank has no branches outside the San Marino territory.

Introduction

Dear Shareholders,

In the year 2022, Banca Agricola Commerciale S.p.A. (hereinafter also referred to as BAC, Bank or Parent Bank) once again faced uncertain economic scenarios, attributable, in addition to the post COVID-19 pandemic aftermath, to the outbreak of the Russian-Ukrainian conflict. As discussed in the macroeconomic scenario, the conflict generated and exacerbated volatility in the money and financial markets, with reverberations on the Bank's treasury investments as well.

In this context, Central Bank of the Republic of San Marino, given the direct consequences on the real economy and financial markets, provided the possibility, at the systemic level, to adopt specific interventions of an extraordinary nature aimed at stabilizing the price valuations of the securities held in the portfolio of the institutions and avoiding undesirable effects on the balance sheets and financial stability of the banking system. BAC has exercised this power and, as detailed in the section on financial investments, the governing body passed resolutions on 13 April 2022 and 20 July 2022 to transfer certain securities from the trading portfolio to the investment portfolio. With a view to maximizing returns on the treasury segment, it also established a partnership with a highly reputable asset management company, led by a team of professionals, which acts as an advisor both in terms of the Bank's treasury management and in terms of the advisory service intended for customers.

During the month of August, BAC, through its subsidiary BAC Life S.p.A. – Impresa Sammarinese di Assicurazione sulla Vita, following the specific authorization of the Supervisory Authority pursuant to art.92 of the LISF, finalized the deed of acquisition of a specific business unit of Compagnia Sammarinese di Assicurazioni S.p.A. in l.c.a. (CSA for short), referring to the Revaluable Policies falling under RAMO I (San Marino Flex and San Marino Pensione). With the signing of this agreement, a transaction of a systemic nature for the country was carried out, thanks to which the Bac Group Insurance Company acquired the aforementioned Policies, at the time underwritten by customers with CSA, thereby guaranteeing the continuity of said contractual relationships, safeguarding the stability of the entire San Marino insurance sector. BAC Life Spa therefore remains the only Life Insurance Company under San Marino law within the Republic.

Continuing within the framework of the concrete achievement of the objectives set by the business plan, in August 2022 the Supervisory Authority authorized the adherence of the funds of the subsidiary BAC Investments SG to the European "SFDR" (Sustainable Finance Disclosure Regulation), by virtue of the use of investment policies of the Funds responsibly oriented on the basis of risks but also environmental, social and governance (ESG) opportunities. In fact, as far as investment choices are concerned, preference is given to UCITS (Undertakings for Collective Investment in Savings) that implement policies to mitigate sustainability risks. This certification demonstrates the quality of

BAC Investments SG Funds.

As for the investee BKN301 S.p.A., in 2022, the capital, strategic and organizational strengthening process, deliberated and shared with other shareholders and managers, continued. BKN301 S.p.A. resolved a capital increase for a total of €15 million in June 2022, of which €13.92 million was a share premium, reserved for foreign institutional investors, who are strongly interested in the project of expansion and development of the international business of online payments/capital transfers, thanks to the implementation of a Banking/Payment-as-a-service strategy.

Based on the existing agreements with the company's top management, BAC sold 2 % of the share capital of BKN301 to a foreign investor. BAC's share of share capital now stands at 20.41 %.

For the purpose of completing its business model, the investee established BKN301 Tech s.r.l., also in 2022, which is primarily engaged in the development, design, implementation, and supply of application software, information technology assets, and digital assets, including blockchain and virtual assets.

Finally, BAC acquired an additional stake in the newly formed company NCO Immobiliare Srl, jointly with other credit institutions, aimed at better protecting their respective joint claims against a large debtor.

The companies that fall within the scope of the BAC Group, as they are wholly or majority owned by the Parent Bank, are described:

- BAC Investments SG Spa, a wholly owned subsidiary, Management Company authorized to carry out exclusively the activity of promotion and management of mutual funds, which represents a unique reality in the field of asset management under San Marino law and which elevates it to Asset Manager on a par with other investment houses present within the European scene. The company manages seven open-ended mutual funds intended for the general public and subject to UCITS⁸ regulations (previously authorized by CBSM).
- BAC Life Spa, a wholly owned subsidiary of San Marino Life Insurance Company, and for which BAC has also acted as an insurance intermediary since 2009, when the Company was established.
- BAC Trustee Spa, a wholly owned subsidiary. The company is engaged in the business of Professional Trustee, as well as resident agent, in line with the provisions of current San Marino regulations.
- BAC Real Estate Srl (formerly IBS Immobiliare Srl), a wholly owned subsidiary established in 2011, is engaged in the management and development of real estate assets.

⁸ The acronym UCITS (Undertakings for Collective Investment in Transferable Securities) refers to Directive 65/EC dated 13 January 2019 of the European Union, which sets the terms for the placement of funds domiciled in one of these.



- San Marino Finanza e Previdenza Srl, established on 22 January 2021 with a 51% stake, in joint venture with the Italian-registered company Finanza e Previdenza Srl, is the insurance agency of the Banking Group, dealing with the placement of non-life and life insurance policies.

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	31/12/2022	31/12/2021	CHANGE	
			Absolute	%
Interest margin	13.508.136	10.249.540	3.258.596	31,79%
Net commission	5.187.288	5.016.426	170.862	3,41%
Profits and losses on financial transactions	108.097	-1.301.462	1.409.559	-108,31%
Other revenues	1.659.425	1.509.080	150.345	9,96%
Revenues from intermediation	6.954.810	5.224.045	1.730.766	33,13%
Intermediation margin	20.462.947	15.473.585	4.989.361	32,24%
Personnel expenses	-8.277.092	-8.008.517	-268.576	3,35%
Administrative expenses	-4.412.968	-4.412.894	-74	-
Tangible and intangible asset adjustments	-1.304.216	-1.224.561	-79.655	6,50%
Operating costs	-13.994.277	-13.645.972	-348.305	2,55%
Operating result	6.468.670	1.827.613	4.641.057	253,94%
Provisions for risks and charges and net adjustments to receivables	-4.646.664	-4.609.824	-36.839	0,80%
Provisions for credit risks	-600.000	-	-600.000	100,00%
Value adjustments on financial fixed assets	-386.310	-611.422	225.112	-36,82%
Value adjustments on non-financial fixed assets	-	-218.000	218.000	-100,00%
Gains/Losses on investment securities – Extraordinary gains/losses	215.481	1.088.829	-873.347	-80,21%
Tax on income	-	-	-	-
Result for the year	1.051.178	-2.522.804	3.573.982	141,67%

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	31/12/2022	31/12/2021	CHANGE	
			Absolute	%
Total assets	995.644.430	885.221.966	110.422.464	12,47%
Loans to customers	331.497.418	344.352.908	-12.855.490	-3,73%
of which Impaired loans	61.938.022	75.470.541	-13.532.519	-17,93%
Financial assets	233.887.120	110.671.843	123.215.277	111,33%
Amounts due to customers and outstanding securities	801.047.287	709.674.664	91.372.623	12,88%
of which Amounts due	636.981.825	514.423.562	122.558.263	23,82%
of which Outstanding securities	164.065.462	195.251.102	-31.185.640	-15,97%
Interbank net position (including securities)	162.886.848	180.850.446	-17.963.598	-9,93%
Net equity (including net result)	86.900.779	85.809.657	1.091.122	1,27%

Financial assets of customers

DESCRIPTION	31/12/2022	31/12/2021	CHANGE		COMPOSITION	
			Absolute	%	31/12/2022	31/12/2021
A) Direct deposits	801.619.023	710.362.531	91.256.492	12,85%	100%	100%
Savings Deposits	2.013.349	2.558.874	-545.525	-21,32%	0,25%	0,36%
Customer current accounts in euros and foreign currency	500.214.319	465.917.528	34.296.791	7,36%	62,40%	65,59%
Repurchase agreements	72.782.366	23.545.756	49.236.610	209,11%	9,08%	3,31%
Other funds	61.971.791	20.000.417	41.971.374	209,85%	7,73%	2,82%
Certificates of deposit	161.664.475	195.251.102	-33.586.627	-17,20%	20,17%	27,49%
Internal checks	571.736	687.867	-116.130	-16,88%	0,07%	0,10%
Subordinated liabilities	2.400.988	2.400.988	-	-	0,30%	0,34%
B) Raccolta Gestita (valore di mercato)	6.792.876	9.226.482	-2.433.606	-26,38%		
of which Cash	3.567.527	3.972.553	-405.026	-10,20%		
of which Subordinated Loan	-	-	-	-		
C) Assets under administration (market value)	528.775.603	558.087.625	-29.312.022	-5,25%		
of which BacInvestments SG funds	112.014.219	135.544.162	-23.529.943	-17,36%		
of which Subordinated loan	2.395.000	2.395.000	-	-		
D) Custodian bank activities	112.014.219	135.544.162	-23.529.943	-17,36%		
of which Cash	4.109.340	7.626.467	-3.517.127	-46,12%		
of which Subordinated Loan	-	-	-	-		
Total deposits	1.439.129.854	1.399.226.780	39.903.074	2,85%		

MAIN INDICATORS

	31/12/2022	31/12/2021
Structure data		
Number of employees e.o.p.	111	113
Number of branches	8	8
Credit risk ratios		
Net non-performing loans/Net loans to customers	10,26%	11,83%
Net doubtful loans/Net loans to customers	18,68%	21,92%
Coverage on total loans	16,61%	17,01%
Supervisory capital and ratios		
Supervisory capital	55.993.258	42.059.470
Weighted risk assets	394.603.418	326.154.230
Supervisory capital/weighted assets (total capital ratio)	14,19%	12,90%
Total assets	995.644.430	885.221.966

PROFITABILITY INDICATORS

	31/12/2022	31/12/2021
Financial margin/intermediation margin	66,01%	66,24%
Service margin/Intermediation margin	33,99%	33,76%
cost/income ratio	68,39%	88,19%
Operating profit / intermediation margin	31,61%	11,81%
Leverage (medium assets/medium equity)	11,46	10,32
ROA e.o.p.	0,11%	-0,28%
ROE e.o.p.	1,21%	-2,94%
ROA e.o.p. before allocation 0.600 mln provision for credit risks	0,17%	-0,28%
ROA e.o.p. before allocation 0.600 mln provision for credit risks	1,89%	-2,94%

Reclassified balance sheet schedules

RECLASSIFIED ASSETS	31/12/2022	31/12/2021	CHANGE		COMPOSITION	
			Absolute	%	31/12/2022	31/12/2021
Cash and cash equivalents	8.055.774	4.328.218	3.727.555	86,12%	0,81%	0,49%
Loans to banks	166.016.695	182.078.480	-16.061.785	-8,82%	16,67%	20,57%
Loans to customers	331.497.418	344.352.908	-12.855.490	-3,73%	33,29%	38,90%
Financial assets	233.887.120	110.671.843	123.215.277	111,33%	23,49%	12,50%
Shareholdings	13.240.015	13.556.329	-316.314	-2,33%	1,33%	1,53%
Tangible fixed assets	103.802.987	103.499.071	303.916	0,29%	10,43%	11,69%
Intangible fixed assets	1.004.294	940.334	63.960	6,80%	0,10%	0,11%
Other assets	138.140.128	125.794.783	12.345.345	9,81%	13,87%	14,21%
Total assets	995.644.430	885.221.966	110.422.464	12,47%	100,00%	100,00%

RECLASSIFIED LIABILITIES	31/12/2022	31/12/2021	CHANGE		COMPOSITION	
			Absolute	%	31/12/2022	31/12/2021
Amounts due to banks	3.129.847	1.228.033	1.901.814	154,87%	0,31%	0,14%
Amounts due to customers	636.981.825	512.022.575	124.959.250	24,41%	63,98%	57,84%
Payables represented by securities	161.664.475	195.251.102	-33.586.627	-17,20%	16,24%	22,06%
Provisions for risks and charges	1.222.085	1.527.373	-305.289	-19,99%	0,12%	0,17%
Non-adjusting provision for risks on credits	600.000	-	600.000	100,00%	0,06%	-
Other liabilities	102.744.431	86.982.237	15.762.194	18,12%	10,32%	9,83%
Subordinate liabilities	2.400.988	2.400.988	-	-	0,24%	0,27%
Net equity	86.900.779	85.809.657	1.091.122	1,27%	8,73%	9,69%
• Capital and reserves	85.849.602	88.332.462	-2.482.860	-2,81%	8,62%	9,98%
• Retained losses	-	-	-	-	-	-
• Result for the year	1.051.178	-2.522.804	3.573.982	-141,67%	0,11%	-0,28%
Total liabilities	995.644.430	885.221.966	110.422.464	12,47%	100,00%	100,00%

RECLASSIFIED PROFIT AND LOSS ACCOUNT	31/12/2022	% Intermed. margin	31/12/2021 proforma	% Intermed. margin	CHANGE	
					Absolute	%
Interest income and similar charges	14.408.119	70,41%	12.467.553	80,57%	1.940.565	15,56%
of which a) Interest income to customers	10.099.198	49,35%	10.670.992	68,96%	-571.794	-5,36%
b) Interest income to banks	253.468	1,24%	-132.267	-0,85%	385.735	291,63%
c) Interest income on debt securities	4.055.452	19,82%	1.928.828	12,47%	2.126.624	110,25%
Interest expense and similar charges	-2.428.540	-11,87%	-2.792.655	-18,05%	364.115	-13,04%
of which a) Interest expense to customers	-710.606	-3,47%	-664.275	-4,29%	-46.331	6,97%
b) Interest expense on payables represented by securities	-1.707.493	-8,34%	-2.123.352	-13,72%	415.859	-19,59%
c) Interest expense to banks	-10.441	-0,05%	-5.027	-0,03%	-5.413	107,69%
Interest margin	11.979.579	58,54%	9.674.898	62,53%	2.304.680	23,82%
Dividends and other revenues	1.528.558	7,47%	574.642	3,71%	953.916	166,00%
Financial margin	13.508.136	66,01%	10.249.540	66,24%	3.258.596	31,79%
Net commissions	5.187.288	25,35%	5.016.426	32,42%	170.862	3,41%
of which a) Commission income	7.036.476	34,39%	6.391.980	41,31%	644.495	10,08%
b) Commission expense	-1.849.188	-9,04%	-1.375.554	-8,89%	-473.634	34,43%
Profit and losses on financial transactions	108.097	0,53%	-1.301.462	-8,41%	1.409.559	108,31%
of which a) On securities	-244.360	-1,19%	-1.581.914	-10,22%	1.337.555	84,55%
b) On exchanges	352.457	1,72%	280.453	1,81%	72.004	25,67%
Other net revenues *	1.659.425	8,11%	1.509.080	9,75%	150.345	9,96%
Service margin	6.954.810	33,99%	5.224.045	33,76%	1.730.766	33,13%
Intermediation margin	20.462.947	100,00%	15.473.585	100,00%	4.989.361	32,24%
Operating costs	-13.994.277	-68,39%	-13.645.972	-88,19%	-348.305	2,55%
of which a) Personnel expenses	-8.277.092	-40,45%	-8.008.517	-51,76%	-268.576	3,35%
b) Other administrative expenses	-4.412.968	-21,57%	-4.412.894	-28,52%	-74	-
c) Tangible and Intangible fixed assets adjustments*	-1.304.216	-6,37%	-1.224.561	-7,91%	-79.655	6,50%
Operating result	6.468.670	31,61%	1.827.613	11,81%	4.641.057	253,94%
Provisions and net adjustments on credits	-4.556.664	-22,27%	-4.539.599	-29,34%	-17.064	0,38%
Provisions for credit risks	-600.000	-2,93%	-	-	-600.000	100,00%
Provisions for risks and charges	-90.000	-0,44%	-70.225	-0,45%	-19.775	28,16%
Value adjustments to financial fixed assets	-386.310	-1,89%	-611.422	-3,95%	225.112	-36,82%
Value adjustments on non-instrumental fixed assets	-	-	-218.000	-1,41%	218.000	-100,00%
Income from ordinary activities	835.696	4,08%	-3.611.633	-23,34%	4.447.329	123,14%
Extraordinary profit (loss)	215.481	1,05%	1.088.829	7,04%	-873.347	-80,21%
Variation of the General banking risk fund (+/-)	-	-	-	-	-	-
Tax on income	-	-	-	-	-	-
Result for the year	1.051.178	5,14%	-2.522.804	-16,30%	3.573.982	141,67%

* 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 the 2022 Financial Year closed with a positive operating result of €1.051 million, completely subverting the performance of the previous year, which recorded a loss of –€2.522 million as of 31 December 2021, an increase of 141.67% (+3.573 million).

This result was positively affected on the one hand by the rise in rates, which occurred on the last quarter of 2022, and on the other hand by the purchasing policies on the proprietary securities portfolio, which resulted in higher profitability, compared to the previous year, on the finance segment for +€2.126 million (+110.25%), on the interest margin from securities and +€0.953 million (+166%) on dividends. Overall, the financial margin marked an absolute increase of €3.258 million (+31.79%) and the services margin of €1.730 million (+3313%). The performance described above supported the maintenance of substantial net value adjustments on loans of €4.556 million, as well as value adjustments on financial fixed assets of €0.386 million and additional allocations to the non-adjustment provision for credit risks on assets of €0.600 million.

Please refer to the following paragraphs for an analysis of margins, i.e., the progressive results that contributed to the final result for the financial year.

The financial margin

The financial margin stood at €13.508 million against €10.249 million in 2021 (+€3.259 million).

The surge in the margin is affected first of all by the increase in net interest income recorded in the amount of €2.304 million, which is attributable, on the one hand, to the intervening rise in rates and, on the other hand, to the trend in lending and funding volumes and the increasing stock of the financial portfolio. For the first factor, it is noted in the financial market how the Euribor, after about eight years of negative rates, moves to positive values from 01 August 2022 (+0.34% average Euribor 3M/360 year 2022 vs –0.54% average Euribor 3M/360 year 2021). With regard to the second factor, the masses of Employment, although contracting overall, marked a reversal of the trend by noting an increase in credit concessions on the performing segment. The variables described above, however, led to a decrease in interest expense in absolute terms on funding items, due to the different dynamics present on interest-bearing liability items. Finally, the robust contribution of the coupon flow and dividends with the increase in the invested stock of the debt and equity securities portfolio is emphasized.

Intermediation margin

Net interest and other banking income, at €20.462 million, was up by €4.989 million (+32.24%) from the previous year. The tables below note that the increase in net interest income, commented in the previous section, combined with the increase in brokerage income, led to its expansion; the receipt of dividends from Group companies and dividends on capital assets in the free treasury portfolio further improved the positive performance of net interest and other banking income. The result of securities management shows a negative contribution, however, a strong recovery from the previous year, thanks to the recovery of market prices, as a result of the changes in monetary policies undertaken by the main central banks, European and U.S. (interest rate and inflationary scenario), although still in the presence of high volatility, a consequence of the outbreak of the Russian-Ukrainian conflict.

In absolute value, the component of profits and losses from financial transactions is positive by €0.108 million due to the contribution of currency trading.

The margin on services, as of December 2022, amounting to €6.955 million, an increase compared to the final 2021 (+33.13%), was affected by the improved performance on the profit and loss segment from financial transactions as illustrated above; there was also growth on the net commission side of €0.171 million (+3.41%). The main commission increases were manifested: in securities brokerage and on the side of retrocessions for the distribution, through the BAC network, of the insurance policies of BAC Life Spa and the new company San Marino Finanza e Previdenza Srl; and, finally, in the segment of collection and payment services and credit/debit card issuance/management. On the other income side, there was an overall increase of €0.150 million (+9.96%) resulting from a higher contribution from rental income from properties put into income.

PROFIT AND LOSS ACCOUNT	31/12/2022	31/12/2021 proforma	CHANGE		% Incidence on interest margin	
			Absolute	%	31/12/2022	31/12/2021 proforma
Interest margin	11.979.579	9.674.898	2.304.680	23,82%	58,54%	62,53%
Dividends and other revenues	1.528.558	574.642	953.916	166,00%	7,47%	3,71%
Intermediation revenues and other	6.954.810	5.224.045	1.730.766	33,13%	33,99%	33,76%
Intermediation margin	20.462.947	15.473.585	4.989.361	32,24%	100,00%	100,00%

INTERMEDIATION REVENUES AND OTHER	31/12/2022	31/12/2021 proforma*	CHANGE		% Incidence on interest margin	
			Absolute	%	31/12/2022	31/12/2021 proforma*
Net commissions	5.187.288	5.016.426	170.862	3,41%	74,59%	96,03%
Commission income	7.036.476	6.391.980	644.495	10,08%	101,17%	122,36%
▪ Guarantees given	99.462	87.334	12.128	13,89%	1,43%	1,67%
▪ Investment services	748.529	599.718	148.812	24,81%	10,76%	11,48%
of which Reception and transmission of orders	741.193	587.440	153.752	26,17%	10,66%	11,24%
of which Portfolio management of financial instruments	7.337	12.277	-4.940	-40,24%	0,11%	0,24%
▪ Distribution of services and products of third parties other than placement	1.281.347	1.242.611	38.736	3,12%	18,42%	23,79%
of which insurance products	417.628	369.250	48.378	13,10%	6,00%	7,07%
of which other services or products	863.719	873.361	-9.642	-1,10%	12,42%	16,72%
▪ Cash-in and payment services	692.570	663.007	29.563	4,46%	9,96%	12,69%
▪ Issuing/managing credit/debit cards	1.533.229	1.117.852	415.376	37,16%	22,05%	21,40%
▪ Depository bank services	239.072	251.120	-12.048	-4,80%	3,44%	4,81%
▪ Storage and administration of financial instruments	327.654	345.562	-17.908	-5,18%	4,71%	6,61%
▪ Currency trading	202.545	215.879	-13.334	-6,18%	2,91%	4,13%
▪ Trust services	132.118	150.107	-17.989	-11,98%	1,90%	2,87%
▪ Other services	1.779.949	1.718.789	61.160	3,56%	25,59%	32,90%
of which Current accounts	1.191.321	1.183.710	7.610	0,64%	17,13%	22,66%
of which Cash-ins and payments	73.467	72.364	1.104	1,52%	1,06%	1,39%
of which Fees	121.980	124.378	-2.398	-1,93%	1,75%	2,38%
of which Loans granted	291.640	231.899	59.742	25,76%	4,19%	4,44%
Commission expenses	-1.849.188	-1.375.554	-473.634	34,43%	-26,59%	-26,33%
▪ Cash-in and payment services	-119.655	-113.726	-5.930	5,21%	-1,72%	-2,18%
▪ Issuing/managing credit/debit cards	-1.174.019	-835.789	-338.230	40,47%	-16,88%	-16,00%
▪ Management services, intermediation, cons.	-446.051	-345.148	-100.903	29,23%	-6,41%	-6,61%
▪ Currency trading	-53.976	-41.140	-12.836	31,20%	-0,78%	-0,79%
▪ Other services	-55.486	-39.752	-15.734	39,58%	-0,80%	-0,76%
Profits and losses on financial transactions	108.097	-1.301.462	1.409.559	-108,31%	1,55%	-24,91%
On securities:	-244.360	-1.581.914	1.337.555	-84,55%	-3,51%	-30,28%
▪ Security trading	64.578	-1.179.047	1.243.625	-105,48%	0,93%	-22,57%
▪ Security valuation	-308.938	-402.867	93.930	-23,32%	-4,44%	-7,71%
▪ Currency trading	352.457	280.453	72.004	25,67%	5,07%	5,37%
▪ Other activities	-	-	-	-	-	-
Operating income and charges	1.659.425	1.509.080	150.345	9,96%	23,86%	28,89%
▪ Other revenues	1.569.211	1.399.893	169.318	12,10%	22,56%	26,80%
▪ Expense recovery	90.215	109.188	-18.973	-17,38%	1,30%	2,09%
Service margin	6.954.810	5.224.045	1.730.766	33,13%	100,00%	100,00%

* Explicit credit/debit card issuing/managing fees from collection and payment services.

Operating result

Operating income increased by €4.641 million compared to 2021 (+253.94%), despite the increase in operating costs by €0.348 million.

PROFIT AND LOSS ACCOUNT	31/12/2022	31/12/2021	CHANGE	
			Absolute	%
Net interest and other banking income	20.462.947	15.473.585	4.989.361	32,24%
Administrative expenses	-12.690.060	-12.421.411	-268.650	2,16%
• Personnel expenses	-8.277.092	-8.008.517	-268.576	3,35%
• General expenses	-4.264.149	-4.220.895	-43.254	1,02%
• Indirect taxes and duties	-148.819	-191.999	43.180	-22,49%
Value adjustments on tangible and intangible fixed assets	-1.304.216	-1.224.561	-79.655	6,50%
Total operating costs	-13.994.277	-13.645.972	-348.305	2,55%
Operating income	6.468.670	1.827.613	4.641.057	253,94%

Operating costs

Total operating costs at the end of December 2022 amounted to €13.994 million, registering an increase of €0.348 million (+2.55%) compared to 2021.

Personnel expenses, amounting to €8.277 million, show an increase compared to the corresponding period of 2021 by about €0.268 million (3.35%). The increase is mainly due to the recognition of bonuses for performance achieved by the bank to employees, provided for in the collective bargaining agreement. On the other hand, the downward trend in headcount continued, standing at 111 resources at the end of 2022, a decrease of 2 resources from the previous year, in addition to the 4 exits recorded in 2021 and the 6 exits in 2020.

Other administrative expenses recorded a value of €4.264 million, up slightly by €0.043 million (+1.02%) from the previous year. While, on the one hand, reductions and efficiencies continue on many categories of administrative expenses, from expenses for printers (-55.9%) to costs for telephone expenses (-34.00%) and costs for resident professional consultancies (-37.5%), reflecting the focus on the process of expenses and cost optimization, on the other hand, other cost items record a surge due to the inflationary push, such as the provision of services for electricity (+16.7%), fuels (+72.4%), expenses related to property maintenance (+108.9%) and facilities maintenance (+52.4%); the item indirect taxes marks a decrease of €0.043 million.

Depreciation on instrumental tangible and intangible assets were calculated based on the remaining 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 €1.298 million,

an increase of €0.080 million (6.5%) compared to the corresponding item in 2021. The change is due to capital investments pertaining to the bank's primary IT system.

Value adjustments on financial fixed assets affected the BAC Real Estate srl. investment for a total of €0.305 million, determined by equity valuation and due to the 2022 financial year loss. In addition, an impairment of €0.076 million was made on the Green Arrow Private Debt Fund, included in the fixed asset portfolio, based on the NAV reported as of 31 December 2022.

Conversely, there were no write-downs on the Group's other investees, namely the Supervised Entities BAC Investments SG Spa and BAC Life Spa, as well as on BAC Trustee Spa (formerly BAC Fiduciaria Spa), which recorded positive operating results; dividend distribution policies will determine their effects, in cash, in 2023.

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

As of the end of December 2022, Net Adjustments on Loans and Provisions for Guarantees and Commitments amounted to €4.556 million, broken down as follows: €10.105 million for provisions and adjustments on loans and €5.548 million for writebacks, an increase from the previous year of 0.38%. The adjustments made in 2022 include the accrual of the suspended AQR adjustments, equal to €4.581 million, following the definition in 2019 of the total adjustments deriving from the Asset Quality Review (AQR) exercise started in 2016, in line with the provisions referred to in Article 40 of Law 173/2018 and specific authorization from the Supervisory Authority.

It should also be noted that there is a provision for risks and charges of €0.211 million, set up to deal with potential risks arising from ongoing lawsuits and proceedings, prudentially replenished during the year by an additional €0.090 million.

Finally, as a precautionary measure, a provision was made for loan loss provisions (item 80 of the Statement of Assets and Liabilities – Liabilities) to cover only possible credit risks and which therefore has no asset adjustment function, amounting to €0.600 million, in anticipation of the forthcoming entry into force of Regulation 630/2019 at EU level, namely the so-called Calendar Provisioning, and the new taxonomy of credit exposures, harmonized to those in force in the EU (EU Reg. No. 575/2013 (CRR), EU Del. Reg. No. 2018/171, EU Reg. No. 2021/451).

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

Income from ordinary activities

Income from ordinary activities became positive again and amounted to €0.835 million, an increase of €4.447 million (+123.14%) compared to the year 2021, despite the large and prudent provisions made for adjustments to loans, financial assets and for risks and charges.

Extraordinary revenues and charges

The Bank recorded extraordinary revenues of €0.612million and extraordinary

charges of –€0.397million.

Extraordinary revenue includes the following main items: €0.139 million for recoveries on extinguished NPL loan positions; €0.029 million for profit from redemptions on investment securities owned; €0.122 million for capital gain on property disposal; €0.108 million for reimbursement from the Internal Revenue Service in application of the conventional regime on double taxation signed in 2013, for withholdings on Italian securities withheld from us during 2014.

Extraordinary charges include miscellaneous fractional items totaling €0.398 million, the main items of which are attributed to unbudgeted 2021 supervisory charges and the settlement of judicial and/or extrajudicial disputes.

Income tax

The tax rate is 0% and reflects the calculation of taxes in accordance with tax regulations. There is no taxable income in the 2022 financial year.

The formation of the net result

For explanatory purposes, the following table reclassifies the steps leading from operating result to net profit for the period, compared with the 2021 data.

PROFIT AND LOSS ACCOUNT	31/12/2022	31/12/2021	CHANGE	
			Absolute	%
Operating income	6.468.670	1.827.613	4.641.057	253,94%
Provisions and value adjustments	–5.632.973	–5.439.246	–193.728	3,56%
• Provisions and value adjustments on loans	–10.105.471	–9.567.017	–538.454	5,63%
• Reversal of value adjustments on receivables and provisions	5.548.807	5.027.418	521.389	10,37%
• Provisions for credit risks	–600.000	–	–600.000	100,00%
• Provisions for risks and charges	–90.000	–70.225	–19.775	28,16%
• Value adjustments to fixed assets financial assets	–386.310	–611.422	225.112	–36,8%
• Value adjustments to owned non-instrumental properties	–	–218.000	218.000	–100,0%
Profit from ordinary activities	835.696	–3.611.633	4.447.329	123,14%
Margin on investment securities	28.693	627.574	–598.881	–95,428%
Extraordinary income	584.294	682.643	–98.349	–14,41%
Extraordinary expense	–397.506	–221.389	–176.117	79,55%
Balance of extraordinary income and charges and margin on investment securities	215.481	1.088.829	–873.347	–80,21%
Profit before tax	1.051.178	–2.522.804	3.573.981	–141,67%
Income tax for the year	–	–	–	–
Net income (loss)	1.051.178	–2.522.804	3.573.981	141,67%

The 2022 financial year closed with a net profit of €1.051 million, compared to a negative result of –€2.523 million (+141.67%) at the end of December 2021. The profit for the year, net of the provision for non-adjusting loan losses on Assets, amounted to €1.651 million, corresponding to a Roe of 1.89%.



Statement of assets and liabilities

Loans to customers

Net loans to customers as of 31 December 2022 amounted to €331.497 million, down €12.855 million from the previous year (–3.73%).

Loans to customers and loan portfolio quality

DESCRIPTION	31/12/2022	31/12/2021	CHANGE		COMPOSITION	
			Absolute	%	31/12/2022	31/12/2021
Total gross loans	397.543.992	414.914.260	-17.370.268	-4,19%	100,00%	100,00%
Analytical and flat-rate value adjustments	66.046.574	70.561.351	-4.514.778	-6,40%	16,61%	17,01%
of which Analytical adjustments on doubtful loans	62.809.335	67.165.868	-4.356.533	-6,49%	15,80%	16,19%
Coverage ratio	16,61%	17,01%	-	-	-	-
Total loans net of provisions for risk on credits	331.497.418	344.352.908	-12.855.490	-3,73%	83,39%	82,99%
Loans net of non-performing loans	313.907.226	319.841.516	-5.934.290	-1,86%	78,96%	77,09%
Non-performing/performing loans	21,04%	22,91%	-	-	-	-
Non-performing loans net of advances	83.636.766	95.072.743	-11.435.978	-12,03%	21,04%	22,91%
Non-performing loans net of advances	49.632.903	54.349.233	-4.716.331	-8,68%	12,48%	13,10%
Analytical value adjustments	49.632.903	54.349.233	-4.716.331	-8,68%	12,48%	13,10%
Coverage ratio	59,34%	57,17%	-	-	-	-
Non-performing loans net of value adjustments	34.003.863	40.723.510	-6.719.647	-16,50%	8,55%	9,81%
Total impaired loans	11.631.856	21.628.565	-9.996.709	-46,22%	2,93%	5,21%
Loss forecasts	1.737.463	2.475.181	-737.718	-29,80%	0,44%	0,60%
Analytical value adjustments	1.737.463	2.475.181	-737.718	-29,80%	0,44%	0,60%
Coverage ratio	14,94%	11,44%	-	-	-	-
Impaired loans net of value adjustments	9.894.392	19.153.384	-9.258.991	-48,34%	2,49%	4,62%
Total past due loans	2.047.909	97.714	1.950.194	1.995,81%	0,52%	0,02%
Loss forecasts	12.314	4.886	7.429	152,04%	-	-
Flat-rate value adjustments	12.314	4.886	7.429	152,04%	-	-
Coverage ratio	0,60%	5,00%	-	-	-	-
Past due loans net of value adjustments	2.035.594	92.829	1.942.766	2.092,85%	0,51%	0,02%
Total restructured loans	27.430.723	25.837.341	1.593.382	6,17%	6,90%	6,23%
Loss forecasts	11.426.654	10.336.567	1.090.087	10,55%	2,87%	2,49%
Analytical value adjustments	11.426.654	10.336.567	1.090.087	10,55%	2,87%	2,49%
Coverage ratio	41,66%	40,01%	-	-	-	-
Restructured loans net of value adjustments	16.004.069	15.500.774	503.295	3,25%	4,03%	3,74%
Total loans to at-risk countries	104	45	58	128,51%	-	-
Loss forecasts	1	-	-	104,00%	-	-
Flat-rate value adjustments	1	-	-	104,00%	-	-
Coverage ratio	0,49%	0,55%	-	-	-	-
Loans to at-risk countries net of value adjustments	103	45	58	128,64%	-	-
Total faulty loans	124.747.357	142.636.409	-17.889.052	-12,54%	31,38%	34,38%
Loss forecasts	62.809.335	67.165.868	-4.356.533	-6,49%	15,80%	16,19%
Value adjustments	62.809.335	67.165.868	-4.356.533	-6,49%	15,80%	16,19%
Coverage ratio	50,35%	47,09%	-	-	-	-
Faulty loans net of value adjustments	61.938.022	75.470.541	-13.532.519	-17,93%	15,58%	18,19%
Total performing loans	272.796.636	272.277.851	518.785	0,19%	68,62%	65,62%
Value adjustments	3.237.239	3.395.484	-158.245	-4,66%	0,81%	0,82%
Coverage ratio	1,19%	1,25%	-	-	-	-

Gross impaired loans at the end of 2022 stood at €124.747 million, a year-on-year decrease of €17.889 million (-12.54%).

During the year ended, BAC continued its policy of close monitoring and recovery on nonperforming positions, resulting in the contraction highlighted. It is also recalled that the total amount of loan adjustments, according to San Marino criteria, indicated by the AQR exercise, accounted for by BAC until the end of 2019, amounted to €53.5 million in total.

Credit quality

The Bank continued with the constant monitoring of credit positions in 2022. The effective management of impaired positions produced returns of €8.465 million on non-performing loans in 2022 for collections.

As fully set out in the appropriate section of the Explanatory Notes to the Financial Statements, the performance of credit monitoring activities, as well as activities related to the prior examination of borrowers' creditworthiness, constitute the basic guidelines of BAC's credit policy.

As indeed mentioned in the process of reviewing the Assets for AQR purposes, which resulted in total adjustments of €53.5 million, the bank availed itself of the option under Article 40 of Law No. 173 of 24 December 2018, that is, to spread the amount of the remaining €42.585 million of write-downs over 10 fiscal years, starting in 2019; therefore, in the financial statements as of 31 December 2022, the amount corresponding to the fourth tenth, amounting to €4.581 million, was recognized in the profit and loss account.

The incidence of non-performing loans (at gross values) is 21.04% of total loans to customers (compared to 22.91% at the end of 2021), against a nominal €83.636 million, down from last year by €11.435 million (€95.072 million); in the same period, system data show a ratio of non-performing loans to total loans (gross values) of 23.7%⁹; while gross doubtful loans (thus also including other categories of non-performing loans under CBSM Regulation 2007/07) account for 31.38% of total gross loans to customers amounting to €124.747 million, down from the previous year by €17.889 million (-12.54%), against a system figure of 56.2%¹⁰.

Coverage ratios for non-performing loans, due to adjustments made during the year, were 50.35%, up from the previous year (47.09%); the system coverage ratio on doubtful loans was 69.8%.

With regard to performing loans, which as of 31 December 2022 amounted to €272.796 million (€272.277 million as of 31 December 2021), value adjustments were updated for a total of €3.237 million, with a decrease in the coverage by way of lump-sum impairment, carried out on the basis of statistical observation on the time series from 2016 to 2022 of the transitions

⁹ Quarterly Information Bulletin of Central Bank Rep. of San Marino 4th Quarter 2022.

¹⁰ Quarterly Information Bulletin of Central Bank Rep. of San Marino 4th Quarter 2022.



of positions from Performing Loans to Non-Performing Loans (so-called transition matrices).

In total, therefore, total loans and advances to customers amounted to a nominal €397.543 million, against which value adjustments of €66.046 million were made; the overall coverage ratio of loans and advances to customers was 16.61%, compared to 17.01% as of 31 December 2021.

Assets under management

The year just ended shows the values of total deposits from customers at €1,439.129 million (including Custodian Bank activity for the company BAC Investments SG SpA, operational since 2018), up 2.85% compared to the previous year; this result is to be considered appreciable in view of the conspicuous decline seen in assets under management due to the negative trend in financial markets that characterized all of 2022.

The following table shows customer financial assets as of 31 December 2022, broken down by technical form and included in the aggregates of direct and indirect deposits compared with the 2021 figures.

Customers' deposits and securities

DESCRIPTION	31/12/2022	31/12/2021	CHANGE		COMPOSITION	
			Absolute	%	31/12/2022	31/12/2021
A) Direct deposits	801.619.023	710.362.531	91.256.492	12,85%	100%	100%
Savings deposits	2.013.349	2.558.874	-545.525	-21,32%	0,25%	0,36%
Customers' euro and foreign currency accounts	500.214.319	465.917.528	34.296.791	7,36%	62,40%	65,59%
Repurchasing agreements	72.782.366	23.545.756	49.236.610	209,11%	9,08%	3,31%
Other funds	61.971.791	20.000.417	41.971.374	209,85%	7,73%	2,82%
Certificates of deposit	161.664.475	195.251.102	-33.586.627	-17,20%	20,17%	27,49%
Internal cheques	571.736	687.867	-116.130	-16,88%	0,07%	0,10%
Subordinate liabilities	2.400.988	2.400.988	-	-	0,30%	0,34%
B) Managed deposits (market value)	6.792.876	9.226.482	-2.433.606	-26,38%		
of which Cash	3.567.527	3.972.553	-405.026	-10,20%		
of which Subordinate Loans	-	-	-	-		
C) Administered deposits (market value)	528.775.603	558.087.625	-29.312.022	-5,25%		
of which Bac Investments SG funds	112.014.219	135.544.162	-23.529.943	-17,36%		
of which Subordinate Loans	2.395.000	2.395.000	-	-		
D) Custodian bank activity	112.014.219	135.544.162	-23.529.943	-17,36%		
of which Cash	4.109.340	7.626.467	-3.517.127	-46,12%		
of which Subordinate Loans	-	-	-	-		
Total Deposits	1.439.129.854	1.399.226.780	39.903.074	2,85%		

Direct deposits amounted to €801.619 million, an increase of €91.256 million (+12.85%) compared to the end of 2021, more in detail:

- sight deposits decreased by €0.545 million;
- current accounts increased by €34.296 million;

- repurchase agreements of customer deposits increased by €49.236 million;
- other funds increased by €41.971 million and represent inflows to institutional investors;
- certificates of deposit decreased by €33.586 million;
- bonds issued by the Bank remained unchanged.

We report that the Bank issued a subordinated bond with an effective date of 01 December 2020 and maturity of 2025, reserved for professional clients and BAC Shareholders, shown in the table above under direct deposits components, for the remaining amount of €2.4 million as of 31 December 2022, as well as detailed in Indirect deposits between Administered and Managed as required by the Supervisory Authority.

Indirect deposits of €650.934 million (with inclusion of the Custodian Bank) conversely show a decrease of €51.923 million (–7.39%) compared to the 2021 figure of €702.858 million. In particular, the aggregate denotes:

- a decrease of €29.312 million (–5.25%) in assets under administration,
- a decrease of €2.433 million (–26.38%) in assets under management,
- a decrease of €23.529 million (–17.36%) for the “Custodian Bank” activity for funds managed by the Group company the BAC Investments SG SpA.

It should be noted that in August 2022, the funds of BAC investments SG were recognized by the Central Bank as adhering to the European Regulation **“SFDR” (Sustainable Finance Disclosure Regulation)**, since the Funds’ investment policies are responsibly oriented considering environmental, social and governance (ESG) risks and opportunities on behalf of the subscribers, for this reason, in the investment choices, CIUs that implement policies to mitigate sustainability risks are favoured. This certification demonstrates the quality of the BAC Investments SG Funds. Finally, it should be noted that deposits attributable to Custodian Bank activities represent an “of which” of the Administered Deposits aggregate.

The contraction on indirect deposits was unfortunately affected by the dynamics of volatility in the financial markets related to the Russian–Ukrainian war, which resulted in a generalized loss of value of the instruments in this segment, with an orientation, for some, to prefer traditional direct deposit products, given the continuing situation of uncertainty and the policies of rate hikes launched by the European Central Bank.

Financial investments

The total stocks of financial investments increased in absolute terms by €123.215 million (+111.33%) compared to the year ended as of 31 December 2021, in fact, the Bank carried out a re-composition of the securities portfolio in favor of both debt securities, Collective Investment Funds and equities listed on regulated markets, as well as structured products, in view of the current interest rate scenario; such structured products have become the best alternative for optimizing and diversifying the profitability of one's portfolios, with the opportunity to select financial instruments with specific characteristics (in terms of risk, maturity, underlyings, yield, etc.) that best suit one's risk/return profile.

On the segment of financial fixed assets, there is an overall increase of €106.893 million, determined, on the one hand, by the purchase of €90.174 million of debt securities, of which €84.974 million of financial issue and of which €5.200 million of RSM state issue; on the other hand, by the transfer of securities from the free portfolio as a result of the actions taken by the Central Bank of the Republic of San Marino, aimed at stabilizing the price valuations of the securities held in the portfolio of the institutions and avoiding undesirable effects on the balance sheets and financial stability due to the outbreak of the Russian-Ukrainian conflict; and, finally, decreases due to sales and redemptions totaling €13.857 million.

The transfer, totaling €29.342 million, was made in two tranches:

- the first one resolved in the BoD meeting of 15 April 2022, pursuant to CBSM provisions (I Prot.22/3413 of 31 March 2022 and subsequent integration with Prot.22/5115 of 17 May 2022), for €15.081 million of countervalue (nominal value €65.00 million). The transfers were settled as follows: for debt securities already in the portfolio as of 31 January 2022, at the market price on the same date; for securities purchased from 31 January 2022 to 31 March 2022, at the purchase price;
- the second tranche was approved by the Board of Directors on 20 July 2022, on the basis of Prot.22/6395 of 23 June 2022, under the conditions of the previous note Prot. no. 22/3413 of 31 March 2022, with the possibility of enforcing the accounting effects of the transfers on the half-yearly financial statements as of 30 June 2022. Therefore, securities with a total nominal value of €13.136 million were transferred with value date of 30 June 2022, for a countervalue of €14.301 million.

Investment securities include the Green Arrow Private Debt Fund, amounting to €4.332 million, allocated following the liquidation of the Tower Credit Opportunities PLC Fund on 31 December 2021, which during the year recognized dividends of €0.420 million, capital redemptions of €3.134 million and write-downs of €0.076 million based on the NAV reported as of 31 December 2022.

In addition, the change in the securities portfolio includes the exchange of a Credit Linked Note, of which ample information was provided to the

Supervisory Authority; the security, Call Warrant, delivered in the exchange transaction, was included in the investment portfolio, following the transfer from the non-investment portfolio, carried out in accordance with the provisions included in Prot. 22/3413 and Prot. 22/5115 mentioned above. The exchange transaction did not lead to impacts in terms of impairment in the profit and loss account but to a positive component classified to extraordinary income in the amount of €0.042. The security delivered in the exchange was also included in the investment portfolio, consistent with the provisions of the Framework Resolution taken by the Institute and in compliance with the limits and characteristics indicated in the Internal Regulations of Treasury Management Activities and CBSM Reg.2016/02.

FINANCIAL ASSETS	31/12/2022	31/12/2021 proforma*	CHANGE	
			Absolute	%
Investment securities	154.572.881	47.679.828	106.893.053	224,19%
of which Bonds	150.341.148	40.237.275	110.103.873	273,64%
Trading securities	79.314.239	62.992.015	16.322.224	25,91%
of which Bonds	41.078.792	40.545.620	533.172	1,31%
Total financial portfolio	233.887.120	110.671.843	123.215.277	111,33%

FINANCIAL ASSETS Issuers	31/12/2022	31/12/2021 proforma*	CHANGE	
			Absolute	%
Investment securities	150.341.148	40.237.275	110.103.873	273,64%
of which Public issuers	24.464.790	17.772.686	6.692.104	37,65%
of which Credit issuers	38.505.609	15.652.344	22.853.265	146,01%
of which Financial issuers	77.176.786	1.018.772	76.158.014	7475,48%
of which Others	10.193.963	5.793.473	4.400.490	75,96%
Trading securities	41.078.792	40.545.620	533.172	1,31%
of which Credit issuers	85.467	20.977.074	-20.891.607	-99,59%
of which Financial issuers	30.530.593	2.576.368	27.954.225	1085,02%
of which Public issuers	6.671.535	14.987.090	-8.315.555	-55,48%
of which Others	3.791.197	2.005.088	1.786.110	89,08%
Total debt securities	191.419.940	80.782.895	110.637.045	136,96%

FINANCIAL ASSETS Fixed/variable rate	31/12/2022	31/12/2021 proforma*	CHANGE	
			Absolute	%
Investment securities	147.605.010	40.237.275	107.367.735	266,84%
of which Fixed rate	69.491.343	31.991.764	37.499.579	117,22%
of which Variable rate	78.113.667	8.245.511	69.868.157	847,35%
Trading securities	41.078.792	40.545.620	533.172	1,31%
of which Fixed rate	5.449.455	23.439.579	-17.990.125	-76,75%
of which Variable rate	35.629.337	17.106.040	18.523.297	108,29%
Total debt securities	188.683.802	80.782.895	107.900.908	133,57%

FINANCIAL ASSETS – BONDS Residual Life	31/12/2022	31/12/2021 proforma*	CHANGE	
			Absolute	%
Investment securities	150.341.148	40.237.275	110.103.873	273,64%
• Within 12 months	2.005.941	200.133	1.805.808	902,30%
• Within 5 years	34.968.311	10.761.376	24.206.936	224,94%
• Over 5 years	110.630.758	29.275.766	81.354.992	277,89%
• Unallocated maturity	2.736.137	–	2.736.137	100,00%
Trading securities	41.078.792	40.545.620	533.172	1,31%
• Within 12 months	2.482.498	–	2.482.498	100,00%
• Within 5 years	15.713.266	40.545.620	-24.832.354	-61,25%
• Over 5 years	22.883.028	–	22.883.028	100,00%
Total debt securities	191.419.940	80.782.895	110.637.045	136,96%

* Following the issuance of new provisions by the Supervisory Authority, “certificates” were reclassified from the item “Shares and other equity instruments” to the item “Bonds and Debt Securities”; as a result of this reclassification, the corresponding items present as of 31/12/2021 were updated by €14,987,090

The free portfolio sees, in absolute terms, an increase of €16.322 million in its holdings, remaining stable on the bond segment compared to 31 December 2021 (+0.533 million); the free portfolio was increased during the year by purchases in bonds, as well as investment funds of primary issuers and structured products, subsequently decreased due to transfers executed to the investment portfolio for the reasons already commented on. Sales were also executed to enjoy opportunities to realize profits.

The free portfolio also consists of two mutual funds under San Marino law for €13.493 million; these are unlisted instruments as described below:

- Loan Management fund for €3.246 million, subscribed on 29 December 2012 following the system operation aimed at rescuing a local bank, Credito Sammarinese Spa in Administrative Compulsory Liquidation, which entailed the transfer of the active and passive legal relationships; in compliance with the contractual terms, the transferee banks, including BAC, transferred the acquired receivables to a Management Company under San Marino law established ad hoc. As of 31 December 2022, the

fund recorded a NAV write-down of €0.113 million; the write-down was recorded in the profit and loss account due to the forfeiture of tax benefits pursuant to Law No. 223 of 23 December 2020, effective 01 January 2021.

- Fondo Odisseo for €10.263 million, resulting from BAC's participation in a further rescue operation of a credit institution, jointly with two other San Marino banks, through the acquisition of Legal Relations in Block 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 one finalized on 16 September 2019, whereby BAC took over Protected Relations for €25.452 million, against 122 units of the Fondo Odisseo for a total of €12.208 million, from which write-downs based on the NAV of 31 December 2019 and 31 December 2020 were deducted for a total of €1.552 million. These write-downs had no effect on the profit and loss account, as they were charged, based on the regulations governing the Fund (Law no. 72 of 27 June 2013), to tax credits. The change that occurred as a result of updating the NAV from 31 December 2021, conversely, was recorded as a credit to SGA Spa (formerly BNS), by virtue of the punctuation agreement signed by the banks and following the entry into force of the aforementioned Law No. 223 of 23 December 2020, as specified above, which limited its tax benefits. For clarity, the stocks of the portfolios and the composition of the portfolios compared with the data as of 31 December 2021 are shown.

Shareholdings

DESCRIPTION	31/12/2022	31/12/2021	CHANGE		COMPOSITION	
			Absolute	%	31/12/2022	31/12/2021
Shareholdings	5.620.040	5.716.956	-96.916	-1,70%	42,45%	42,17%
Investments in group companies	7.619.975	7.839.372	-219.397	-2,80%	57,55%	57,83%
Total shareholdings	13.240.015	13.556.328	-316.313	-2,33%	100,00%	100,00%

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

Equity investments in Group companies decreased by €0.219 million due to:

- the revaluation of the company BAC Investments SG Spa in the amount of €0.013 million, for the allocation to reserves of the profit formed in 2022, as per the financial statements approved by the administrative body as of 31 December 2022. The dividend to the Parent Bank will amount to €0.115 million, equal to 90% of the realized profit, and will be recorded in cash during 2023.
- the revaluation of the company BAC Trustee Spa in the amount of €0.016 million, resulting from the allocation of the profit formed in 2022 to reserves, as per the financial statements approved by the administrative body as of 31 December 2022. The dividend to the Parent Bank will amount to €0.141 million, equal to 90% of the profit made, and will be recorded in cash during 2023.
- the revaluation of the company BAC Life Spa for €0.048 million, corresponding to the allocation to ordinary reserve of 10% of the profit earned in 2022, as per the proposal of the administrative body on the financial statements for the year ended as of 31 December 2022. The dividend distributed to the Parent Bank, amounting to €0.428 million and corresponding to 90% of the 2022 profit, will be recorded in cash in 2023.
- the write-down of Bac Real Estate Srl in the amount of €0.305 million, for the recording of the 2022 financial statement loss.
- the revaluation of the company San Marino Finanza e Previdenza Srl for €0.10 million.

The sum of the above adjustments was recorded in the dedicated reserve fund, reclassified under Net Equity, excluding the 2022 loss of BAC Real Estate Srl, which was taken directly to the profit and loss account under adjustments to financial fixed assets, as it is considered final.

The values of the shareholdings of Banca Centrale della Repubblica di San Marino S.p.a., Agenzia per lo Sviluppo – Camera di Commercio S.p.a. and Centro Servizi Srl, in which we hold a minority stake, remain unchanged.

It should also be noted that for the investee BKN301 S.p.A., in 2022, the path



of capital, strategic and organizational strengthening, deliberated and shared with other shareholders and managers, continued. In June 2022, the company resolved a capital increase for a total of €15 million, including €13.92 million as a share premium, reserved for foreign institutional investors, interested in the project of expansion and development of the international online payments/capital transfers business, thanks to the implementation of a Banking/Payment-as-a-service strategy. According to existing agreements with the company's top management, BAC sold 2 % of BKN301's share capital to a foreign investor.

In addition, the equity investment in the subsidiary SSIS Spa, held 50% with Cassa di Risparmio della Repubblica di San Marino Spa, was written down for €0.046 million resulting from the recognition of the loss for the year 2022, at the rate of 1/2, in order to adjust its balance sheet value to equity; for this write-down, the Revaluation Reserve formed in previous years was discharged, as proposed by the administrative body.

Interbank

As part of its financial activities, the Bank recorded a positive net interbank balance of €162.886 million at the end of 2022. Compared to the corresponding evidence at the end of 2021, the balance showed a decrease in net assets of €17.963 million, due to the combined effect of the corresponding increase in direct deposits, as well as the asset allocation of the proprietary securities portfolio, which saw the deployment of liquidity in diversified financial investments (given the market turbulence brought about by the Russian–Ukrainian war). The level of net position testifies to the near absence of interbank borrowing, confirming the constant liquidity safeguards, through management and monitoring of inherent risks and with a view to prudent management of treasury assets. The investments made are in line with the three-year Business Plan 2022–2024 and the “Risk Appetite Framework” Regulations (March 2023 edition), which contain the determination of the amount of overall risks, including liquidity risk, that the Bank is willing to take on in achieving the objectives of corporate value growth.

DESCRIPTION	31/12/2022	31/12/2021	CHANGE		COMPOSITION	
			Absolute	%	31/12/2022	31/12/2021
Loans to banks	166.016.695	182.078.480	-16.061.785	-8,82%	100,00%	100,00%
• In euro	159.020.533	173.354.388	-14.333.854	-8,27%	95,79%	95,21%
• In foreign currency	6.996.161	8.724.092	-1.727.931	-19,81%	4,21%	4,79%
Amounts due to banks	3.129.847	1.228.033	1.901.814	154,87%	100,00%	100,00%
• In euro	3.128.977	1.227.214	1.901.762	154,97%	99,97%	99,93%
• In foreign currency	870	819	51	6,26%	0,03%	0,07%
Net position	162.886.848	180.850.446	-17.963.598	-9,93%	100,00%	100,00%
• In euro	155.891.557	172.127.173	-16.235.617	-9,43%	95,71%	95,18%
• In foreign currency	6.995.291	8.723.273	-1.727.982	-19,81%	4,29%	4,82%

DESCRIPTION	31/12/2022	31/12/2021	CHANGE		COMPOSITION	
			Absolute	%	31/12/2022	31/12/2021
Loans to banks	166.016.695	182.078.480	-16.061.785	-8,82%	100,00%	100,00%
• Short term (up to 12 months)	139.496.082	157.261.462	-17.765.378	-11,30%	84,03%	86,37%
• Medium and long term (over 12 months)	26.520.612	24.817.018	1.703.594	6,86%	15,97%	13,63%
Amounts due to banks	3.129.847	1.228.033	1.901.814	154,87%	100,00%	100,00%
• Short term (up to 12 months)	905.075	1.228.033	-322.958	-26,30%	28,92%	100,00%
• Medium and long term (over 12 months)	-	-	-	-	-	-
Net position	162.886.848	180.850.446	-17.963.598	-9,93%	100,00%	100,00%
• Short term (up to 12 months)	138.591.008	156.032.609	-17.441.601	-11,18%	85,08%	86,28%
• Medium and long term (over 12 months)	26.520.612	24.817.018	1.703.595	6,86%	16,28%	13,72%

Net equity and capital ratios

Net equity

If the draft budget proposal approved by the Directors is accepted at the Shareholders' Meeting, **Net Equity** will stand at **€86.915** million as of 31 December 2022, compared to €85.824 million at the end of 2021, an increase of €1.091 million (+1.27%).

The change in net equity can be attributed to the positive result for the year 2022 and changes on adjustments to the Group's equity investments recorded in Net Equity 2022.

The Bank's assets are represented below in comparison with the figures for 2021:

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Absolute	%
Capital and Reserves	85.863.980	88.346.840	-2.482.860	-2,81%
Share capital – subscribed and paid-up shares	20.880.080	20.880.080	–	–
Ordinary reserve fund	46.726.154	49.248.958	-2.522.804	-5,12%
Extraordinary reserve fund	–	–	–	–
Share premium reserve fund	–	–	–	–
Own share reserve fund	14.378	14.378	–	–
Non-distributable reserve fund	126.612	126.612	–	–
Revaluation reserves	18.116.756	18.076.812	39.944	0,22%
Retained loss	–	–	–	–
Result for the year	1.051.177,33	-2.522.804	3.573.982	-141,67%
Total	86.915.157	85.824.035	1.091.122	1,27%

Share capital

The fully subscribed and paid-up share capital amounts to **€20,880,080.00** divided into **803,080** shares with a **nominal value** of **€26.00** each.

Own shares

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

Regulatory capital and capital ratios

The **Regulatory Capital**, determined in accordance with the provisions of the Supervisory Authority, stood at **€55.993** million, with a Total Capital ratio of 14.19%, an improvement of 1.294 percentage points compared to 31 December 2021, although suspensions resulting from the AQR adjustments made in 2018 and 2019 are deducted from the Regulatory Capital for 6/10 of the total. Since the bank decided to benefit from 2019, from a statutory point of view, from the option descending from Article 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 outcomes of the AQR exercise over a period of 10 years, the deduction from the Regulatory Capital of the AQR adjustments in suspension on 2022 resides at €27.490 million, down from 31 December 2021 by €4.581 million, due to the recognition of the portion (1/10) directly to the 2022 profit and loss account.

Given the prevailing Prudential Supervisory Ratios and the minimum capital coverages to be complied with, the Bank shows no capital shortfall for Prudential Supervisory Purposes in the year just ended; on the contrary, it records a capital surplus.

Since the BAC Group has again participated in a systemic operation to support the San Marino financial system by acquiring, on 26 August 2022, through its subsidiary BAC Life Spa, a business unit of C.S.A. Compagnia Sammarinese di Assicurazione in l.c.a., as already described in the introductory notes and following the update of the Regulatory regulations, BAC has excluded from the PV the deduction of the investee of BAC Life Spa, which is fully subject to the solvency margin measurement.

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Absolute	%
Supervisory capital	55.993.258	42.059.470	13.933.788	33,13%
A. Weighted risk assets				
A.1 Credit and counterpart risk	394.603.418	326.154.230	68.449.188	20,99%
C. Supervisory ratios				
C.1 Supervisory capital/weighted assets	14,19%	12,90%	1,294%	10,04%

Relations with subsidiaries and affiliates

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

- **BAC Trustee SpA** opened correspondence current accounts with the Bank for the current management of its business, the balance of which amounted to €0.103 million at the end of 2022.
- **BAC Life SpA** opened correspondence current accounts with the Bank for the current management of its business, the balance of which amounted to €1.043 million at the end of 2022.
- **BAC Real Estate Srl** entered into correspondence accounts with the Bank for €0.010 million and leasing contracts in SAL for a total of €10.2302 million.
- **BAC Investments SG Spa** opened correspondence current accounts with the Bank in the amount of €0.705 million for the current management of its business.
- **San Marino Finanza e Previdenza Srl** opened correspondence current accounts with the Bank in the amount of €0.035 million at the end of 2022, 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	31/12/2022	31/12/2021
Assets		
Loans and advances to banks	103.078.488	159.554.195
▪ BANCA CENTRALE SPA	103.078.488	159.554.195
Loans to customers	13.907.848	14.053.724
▪ SSIS SPA	590.909	635.205
▪ BAC TRUSTEE SPA	-	-
▪ BAC REAL ESTATE SRL	10.311.547	12.385.678
▪ BKN301 SPA	1.012.112	1.032.841
▪ NCO IMMOBILIARE SRL	1.993.063	-
▪ CENTRO SERVIZI SRL	217	-
bonds and other financial debt instruments	-	-
Shareholdings	5.620.039	5.716.957
▪ SSIS SPA	287.751	333.721
▪ AGENZIA PER LO SVILUPPO – CAMERA DI COMMERCIO	1.033	1.033
▪ BANCA CENTRALE SPA	4.059.241	4.059.241
▪ CENTRO SERVIZI	333.333	333.333
▪ BKN301 SPA	916.931	989.628
▪ NCO IMMOBILIARE SRL	21.750	-
Shareholdings in companies of the banking group	7.619.975	7.839.372
▪ BAC TRUSTEE SPA	199.481	183.795
▪ BAC LIFE SPA	6.740.341	6.692.760
▪ BAC REAL ESTATE SRL	109.689	415.000
▪ BAC INVESTMENTS SG SPA	547.279	534.557
▪ SAN MARINO FINANZA E PREVIDENZA SRL	23.186	13.260
TOTAL ASSETS	130.226.351	187.164.247
Liabilities		
due to customers	2.668.485	4.746.206
▪ BAC TRUSTEE SPA	103.358	249.952
▪ BAC LIFE SPA	1.043.672	3.182.806
▪ BAC REAL ESTATE SRL	-	12.339
▪ SSIS SPA	-	15.097
▪ BAC INVESTMENTS SG SPA	705.092	694.843
▪ CENTRO SERVIZI	-	568
▪ BKN301 SPA	426.925	450.625
▪ SAN MARINO FINANZA E PREVIDENZA SRL	35.114	23.661
▪ AGENZIA PER LO SVILUPPO – CAMERA DI COMMERCIO	116.337	116.315
▪ NCO IMMOBILIARE SRL	237.987	-
Debts represented by financial instruments	-	-
▪ BAC TRUSTEE SPA	-	-
Other liabilities	-	-
▪ BAC TRUSTEE SPA	-	-
Total liabilities	2.668.485	4.746.206
Guarantees and commitments	-	-
▪ Guarantees given	-	-
▪ Commitments	-	-

Revenues and expenses to related parties: subsidiaries and parent company

DESCRIPTION	31/12/2022	31/12/2021
Interest income and similar revenues	3.451	5.632
▪ BAC TRUSTEE SPA	298	465
▪ BAC LIFE SPA	1.774	1.507
▪ BAC INVESTMENT SG SPA	799	3.230
▪ SAN MARINO FINANZA E PREVIDENZA SRL	290	180
▪ BAC REALESTATE SPA	291	250
Interest expense and similar charges	3.942	6.001
▪ BAC TRUSTEE SPA	22	877
▪ BAC LIFE SPA	3.843	5.052
▪ BAC INVESTMENT SG SPA	72	66
▪ SAN MARINO FINANZA E PREVIDENZA SRL	4	2
▪ BAC REALESTATE SPA	-	4
Dividends	927.284	574.642
▪ BAC TRUSTEE SPA	144.912	141.902
▪ BAC LIFE SPA	629.756	390.465
▪ BAC INVESTMENT SG SPA	152.616	42.275
Interest margin	930.735	586.275
Commission income	1.232.659	977.560
▪ BAC TRUSTEE SPA	-	-
▪ BAC LIFE SPA	325.902	350.000
▪ BAC INVESTMENT SG SPA	815.031	608.310
▪ SAN MARINO FINANZA E PREVIDENZA SRL	91.726	19.250
▪ BAC REALESTATE SPA	-	-
Commission expenses	-	-
Profit and losses from financial transactions	-	-
Other net proceeds	109.333	79.250
▪ BAC TRUSTEE SPA	10.000	8.000
▪ BAC INVESTMENT SG SPA	38.000	30.000
▪ BAC LIFE SPA	38.333	30.000
▪ SAN MARINO FINANZA E PREVIDENZA SRL	23.000	11.250
Service margin	1.341.992	1.056.810
Intermediation margin	2.272.727	1.643.085
Operating costs	155.583	200.140
a) Personnel expenses	155.583	200.140
▪ BAC TRUSTEE SPA distacchi in	55.528	60.417
▪ BAC INVESTMENT SG SPA distacchi out	53.725	78.908
▪ BAC LIFE SPA distacchi out	-	23.478
▪ BAC TRUSTEE SPA distacchi out	37.118	37.336
▪ BAC REALESTATE SPA distacchi out	2.133	-
▪ SAN MARINO FINANZA E PREVIDENZA SRL	7.080	-
b) Other administrative expenses	-	-
Operating result	2.117.144	1.442.945

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

BAC Investments SG SpA

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

BAC Real Estate Srl

- **Board members:** Chairman: Emanuele Rossini, Board Member: Ignazio Gibiino;
- **Sole Auditor:** Stefania Maria Gatti.

SAN MARINO Finanza e Previdenza Srl

- **Board members:** Chairman Daniele Savegnago, Board Members: Davide Selva, Samuele Brunetti.
- **Sole Auditor:** Sandy Concetta Stefanelli.

Communication, marketing and commercial activity

The year 2022 was mainly characterized by the following commercial & marketing initiatives:

- dedicated financing to support the increase in utility costs, individuals and companies;
- subscription of tcm policies (term in the event of death) also linked to financing operations;
- total renovation of the institutional website www.bac.sm and subsidiaries of the bac group;
- overall revisiting of the bac group's image on social media (facebook and linkedin);
- holding of the first bac forum at villa bac, titled "financial scenarios in the current economic context" where issues of financial economics were discussed;
- implementation of new insurance products, such as life multiramo protetta 20% guaranteed capital and 80% and life multiramo garantita 70% guaranteed capital and 20;
- customer satisfaction analysis and nps (net promoter score) calculation, which indicates how many customers are 'promoters' of a relationship with bac (rating of 4.4 out of 5);
- sectorization of customers for increasingly personalized service geared toward a maximum customer experience.

In addition, the following products have been updated, also with a focus on ESG criteria:

- fixed/mixed/variable rate residential building loans with relief on economic conditions in case of improvement of energy class of the property and 100% financing of purchases of facilities that allow reduction of environmental impact;
- automotive plus leasing that provides a maxi final redemption;
- dedicated financing for the purchase of printers and office furniture (operating lease).

For a number of years, the focus on the green world has been strong in BAC; in fact, the bank has:

- I. installed a photovoltaic system that decreases the cost of electricity as well as limiting CO2 input,
- II. progressively replaced halogen lights with LED lights in all BAC premises,

- III. Reduced the use of plastic (cups, mugs and water bottles were donated to employees),
- IV. developed low-interest financing for energy upgrading or energy-saving measures,
- V. implemented dedicated Green Leasing for hybrid or fully electric vehicles,
- VI. Installed water microfiltration systems in all branches,
- VII. Made sustainable Christmas gadgets,
- VIII. updated BAC Investments SG Spa mutual funds, with the introduction of the concept of sustainability in investment choices and the possibility of investing up to 30% of the fund's assets in investment certificates whose underlying is the investment in CIUs (collective investment undertakings).

During 2022, SMAC cards were replaced as per the project of the Secretariats of State and the related replacement of all physical pos, collaborated in an internship project for a student from the Liceo Economico and an internship of a graduate student from the University of San Marino Faculty of Communication and Digital Media.

Multiple initiatives in favor of the area including, the most notable ones:

- Aslem
- Croce Rossa Sammarinese (San Marino Red Cross)
- Donation to Ukraine
- Food collection
- Grazia Deledda in esalettura

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

From March 2023, signs have been turned off from 00:00 to 6:00 while other 'paperless' projects such as electronic business cards and digital signage project are being analyzed.

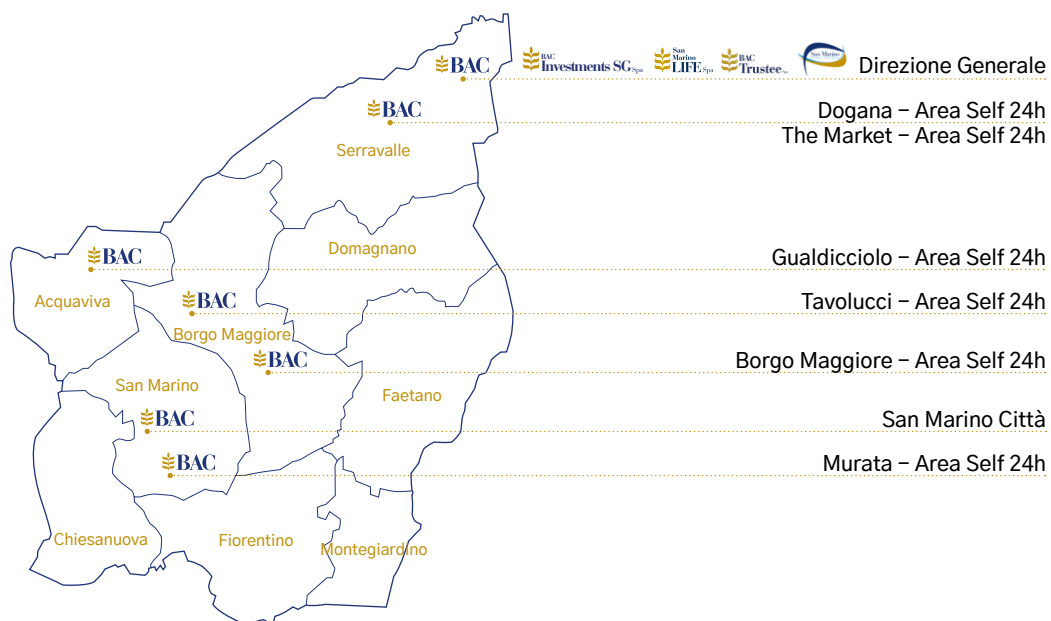
On the e-money side, corporate prepaid cards, "world elite" cards intended for private customers, 301pay software for ecommerce transactional management, and implemented/operated additional circuits (e.g., Alipay, Union pay) will be issued with the BKN investee.

BAC, thanks to its retail network structured with a distribution model consisting of Main Branches and Branch Offices, has a widespread presence within the Republic, thus being able to provide rapid responses and ensuring maximum flexibility. Below is its articulation:

- General Management, together with its four subsidiaries: BAC Investments SG, BAC Life, BAC Trustee and San Marino Finance and Pension;
- 5 branches and 3 information desks to cover the entire San Marino territory;

- 6 Self-service areas open 24 hours a day to ensure complete and constant service;
- Internet Banking to have your bank always a click away.

Repubblica di San Marino



Organizational activity and operational structure

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

Operational structure and projects

During the year, the Parent Bank's Board of Directors approved the new version of the "General Regulations of the Corporate Bodies, General Management and Peripheral Structures," with the aim of further streamlining internal operational processes, as well as strengthening the control garrisons for the main functional areas; the measures implemented concern both the composition of the Organizational Units and their hierarchical allocation, which can be summarized as follows:

- explication of the Role of "Data Protection Officer D.P.O."
- assignment of the units. Accounting and Budget and Organization and I.T. to the direct reports of the Director General, previously under the Deputy Director General;
- supervision under the Deputy General Manager of the Commercial Manager Function previously under the General Manager's responsibility, as well as the Real Estate Function, the latter being spun off from the Organization and I.T. unit;
- updating the members of the Management Committee (which now includes the participation of the Compliance and Risk Management Functions) and the Anti-Money Laundering Committee, with the inclusion of the Credit Unit Manager;
- the direct proposal to the Board of Statutory Auditors and the Board of Directors of the annual plan of activities and re-parameterization of the Compliance Function's area of responsibility with regard to the management of the registry process (level II audits);
- the updating of the members of the Finance Committee with the inclusion of the figure of «Director appointed by the Board of Directors», as already provided for the Credit and Anti-Money Laundering Committees;
- the establishment of a new Organizational Unit responsible for research and study activities related to national regulatory developments, in particular the implications related to the project of association of the Republic of

San Marino with the European Union and governmental agreements in the field of internationalization.

In the area of Organization, the Bank set up a Working Group, assisted by the Organization units and under the responsibility of the General Manager, with the aim of carrying out a review of organizational processes, having the main purpose of facilitating the Bank's "productive" activities, in order to simplify, where possible, the administrative tasks borne by the commercial network, while maintaining adequate control safeguards.

The Working Group structured a practical and concrete plan of activities, consistent with the organizational structure, of the results and progress of which, through the General Management, the Board of Directors has been periodically reported. Permanent members of this group include the Commercial Manager, the Risk Manager and, where necessary, the Deputy General Manager.

The activities of the Working Group, having completed the survey activities in the first half of the year, in the second part of the year identified and turned out much of the evidence that emerged, as well as proposed solutions and a planning of the remaining ones in the next year.

In the area of **Technology**, the Bank, in accordance with the guidelines defined by the Board of Directors, completed the activities for the acquisition of the License to use the Banking Information System already in use; in the second half of the year, the activities necessary for its management and development were completed.

Specific technological interventions aimed at IT efficiency and/or the integration of new features and services were also completed, including:

- the design and purchase of the new processing system to support the Banking Information System;
- the adoption of a new, higher-performance data transmission service in order to be able to respond to the changing needs in terms of connectivity and fruition of IT services; the new system, which went into service in the second half of the fiscal year, significantly improved the speed of fruition and reliability of both internal IT services and services delivered to customers;
- the adoption of a new in-house telephone service, which was selected at the end of evaluations of different products; allows the bank a new management of its needs, becoming an asset capable of quickly adapting to changes in logistics, smartworking and collaboration needs, and last but not least, to support the reachability needs of customers towards Customer Care and Support services, enabling the monitoring and improvement of the service provided to customers.

During the year, further project activities were also completed and/or launched in the "E-money" area, namely:

1. the conclusion of the Smac card reloading project from ATM;
2. the activation of Deposit and Transfer services provided by corporate ATMs to BKN301 Debit MasterCard issued by the bank;

3. the completion of the replacement of the entire POS fleet installed at Merchants. The new Android-type POS falls under the category of so-called Smart-Pos and will enable the use of dematerialized Smac and the possibility for the Merchant to accept new payment circuits. In addition, the new POS will enable Merchants to use applications available in the AppStore, an open ecosystem that evolves through the collaboration and connection of payment service providers and acquiring banks with software developers and POS users;
4. as part of the activities of the subsidiary Centro Servizi s.r.l., whose main functions performed concern the POS and ATM Terminal Manager service, communication with authorizing bodies and management of accounting flows, and the design and implementation of solutions for the management of payment transactions with physical and virtual POS and ATM withdrawals, it should be noted that the company also exclusively provides the POS terminal management service for the SMaC Card circuit.

Below are the activities related to the San Marino Card Project in which you directly participated:

- porting of the SMaC operations management application to the next-generation POS equipped with the above-mentioned Android operating system,
- production of the new Smac Card distributed to cardholders in the second half of 2022,
- setup of the new services implemented on the POS Terminal Manager that will enable the operation of the dematerialized SMaC and the implementation of the new services aimed at card users.

These activities involve the Organization & I.T. units in the management of the Company and in the technical groups of technology development.

As for Payment Systems, the second half of the year saw the completion of the first steps in the adaptation of the Banking Information System with regard to the Vision 2020 project, the Eurosystem's evolutionary strategy for the development of market infrastructure aimed at achieving full integration of the European financial market.

Specifically, interfacing standards have been adjusted with regard to the European Target2 payment system by moving to the ISO20022 standard, while with regard to the CBPR+ cross-border payment system, interfacing has been adjusted and next steps planned in accordance with the overall project Roadmap.

In the face of the above-mentioned projects and related investments, the cost control undertaken rigorously in recent years continued in the past year despite a total increase of 1.31% attributable to the major development projects launched, as described above.

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Absolute	%
Administrative expenses	-4.264.149	-4.220.895	-43.254	1,02%
Indirect taxes	-148.819	-191.999	43.180	-22,49%
Depreciations on instrumental assets	-1.304.216	-1.224.561	-79.655	6,50%
Total	-5.717.184	-5.637.455	-79.729	1,41%

Regarding **Internal Regulatory Adjustments**, in addition to the evidence already expressed above, we point out the following updates:

- “Credit Regulations” – Ed. March 2022;
- “Delegations of authority in the areas of credit granting, customer classification management, and revocation of credit facilities”–Ed. February 2022;
- “FIA Newsletter 5/2021: News related to combating money laundering and terrorist financing published on major national and international websites.”
- “Level I Controls” – Ed. February 2022;
- “Operation of non-performing loans – Problem Credit Management / Litigation and Debt Collection unit” – Ed. February 2022;
- “Risk Appetite Framework” – Ed. March 2022;
- “Security Standards – management of security systems and valuables in general” – Ed. March 2022;
- “Code of Ethics of the BAC Group” – Ed. March 2022;
- “Organizational and Management Model ex Art. 7 Law 99/2013 – General Part & Special Part – Ed. January 2022”;
- “Insurance Products – Life Multiramo Guaranteed 70.”
- “Support Measures for Families, Self-Employed Businesses, Self-Employed Freelancers and Professional Agricultural Workers on Mortgages and Financing.”
- “Policy on Andamental Monitoring”;
- “New customer financing agreements.”
- “Issuance of Public Debt Securities–Republic of San Marino, Fixed Rate 0.80%, 2 June 2023 – referred to in Delegated Decree No. 61 of 11 April 2022.”
- “Restatement of purchase values of investments and financial instruments art. 41 Law No. 207 of 22 December 2021”;
- “Conferment of Signing and Management Powers” – Ed. March 2022;
- “Consolidated Text on Anti-Money Laundering, Countering the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction” – Ed. May 2022;

- “POS Service, Acquiring Pagobancomat and International and E-Commerce “Funds BAC Investments SG Spa – financial products and operations.”
- “BAC Investments SG Spa funds – financial products and operations.”
- “Consolidated Guarantees Act – Credit risk: guarantees and related operating procedures.”
- “Credit risk monitoring–criteria and operations.”
- “Regulations on criminal proceedings, letters rogatory and seizures.”
- “FIA Newsletter 2022/01–02–03 related to combating money laundering and terrorist financing published on major national and international websites”
- “ATM Cards – BKN301 Credit and Prepaid Cards – Mastercard debit – Conad Cards – Telepass and Viacard – Smac Card.”
- “Delegated Decree No. 8 of 24 January 2022 “Financial Provisions in Transposition of Regulations (EU) 648/2012, 909/2014, 236/2015 and 1011/2016.”
- “Rules for Updating and Simplifying Registration Taxes – Taxation of Bank Contracts.”
- “Secondary Market RSM Public Debt Securities.”
- “Relations with the Public Administration and its equivalents, Judicial and Supervisory Authorities, and public institutions.”
- “Segmentation and Sectorization;
- “New agreements for customer financing”
- General Regulations – Ed. November 2022.”
- “Regulation of the System of Internal Controls” – Ed. November 2022;
- “Internal Audit Regulations” – Ed. November 2022;
- “Compliance Regulations” – Ed. November 2022;
- “Risk Management Regulations” – Ed. November 2022;
- “AML Officer Regulations” – Ed. November 2022.

Staff

Evolution and composition of the workforce

As of December 31, 2022, the Bank's workforce was 111 employees, thus registering a decrease of 2 resources from the previous year. The reduction was caused by the voluntary resignation of 1 resource (clerk) and the early retirement of another resource (Middle Manager). It is also noted that as of 1 January 2023, there was a termination due to voluntary resignation, of an additional employee (clerk) bringing the number of staff to 110 resources.

All employees are on a permanent contract.

Law 131/2005 allowed for the maintenance/activation of personnel secondments to Group Companies and Subsidiaries, which at the end of the year totaled a corresponding 2.95 units/man, while 1 unit from a Subsidiary is seconded to BAC.

Absences from service due to leave of absence and union secondment total 4 units; there is also the absence of one employee due to parental leave. Part-time hours are carried out by 22 resources, which brings the full-time equivalent to 98.95 units/man.

The workforce, at the end of the financial year, includes 2 Managers representing 1.80% of the total workforce, 21 Executives representing 18.92% of the total workforce, 13 Middle Managers representing 11.71% of the total workforce, and 75 Clerks representing 67.57% of the total workforce.

The average age of staff is 47.31 years.

50.94% of the staff are employed in the Commercial Network, while 49.06% are in the General Management and Organizational Units.

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

AGE COMPOSITION	MALE	FEMALE	TOTAL	% INCIDENCE
Over 50	28	15	43	39,29%
From 41 to 50	23	25	48	42,86%
From 31 to 40	11	8	19	16,69%
Up to 30	1	0	1	0,89%
Total	63	48	111	100,00%

COMPOSITION BY LENGTH OF SERVICE	MALE	FEMALE	TOTAL	% INCIDENCE
Over 30	12	6	18	16,22%
21 to 30	20	19	39	35,14%
11 to 20	24	20	44	39,64%
up to 10	7	3	10	9,01%
Total	63	48	111	100,00%

COMPOSITION BY EDUCATIONAL QUALIFICATION	MALE	FEMALE	TOTAL	% INCIDENCE
Degree	16	15	31	27,93%
School diploma	46	33	79	71,17%
Other	1	0	1	0,90%
Total	63	48	111	100,00%

Training

The training planning process stems from the need to develop the skills and knowledge necessary for the realization of strategic goals, to support change processes, as well as to improve organizational performance and the performance of individuals. Training hours conducted in 2022 total 3,000 hours.

In addition to complying with regulatory requirements, training activities are aimed at increasing professional skills in relation to business development. Based on these premises, specific training courses were activated for network employees that covered insurance and financial topics. The insurance course, lasting 30 hours, covered multiple topics, for each of which a test was provided. In the area of finance, thanks to the collaboration established with ABI, an ad hoc course was built consisting of six separate modules, concerning “Sustainable Finance”; also with ABI, the “Private banking and wealth management” course was delivered. Both courses included tests to verify the knowledge acquired.

Restricted groups of managers were involved in specific meetings aimed at learning more about the insurance and financial products placed by the bank, and thanks to the collaboration established with the Century City Securities Company, there was participation in in-depth meetings on “Certificates and other innovative products.” The fortnightly appointment called “Morning Meeting” by the Director of Subsidiary BAC Investments SG continued, addressed to all colleagues in the sales network, in which relevant finance issues are discussed, as well as the analysis of the trend of the main market variables. Also in the finance area, participation in the annual “Your Finance 2022” event was recorded.

Management and the Chief Commercial Officer took part in the event organized by APB: “The Unstoppable Trend of the Digital Economy and ESG, the Thinking of Bankers, CROs and Supervision.”

With a view to enhancing ESG skills from a risk perspective as well, the risk manager and his associate participated in ABI’s course, “The Integration of

Climate and Environmental Risk Factors in LSI Banks.”

The participation of branch managers in the event organized by ABI titled “The Customer”.

The Sales Manager participated in the webinar sponsored by Arcadia Financial Advisors regarding “M&A and Equity Crowdfunding as Solutions for Growth.”

In the area of credit, participation in ABI’s course: “The new paradigms of credit granting” was recorded. The Head of Credit participated in ABI’s annual event: “Credit to Credit 2022” and in the workshop “The Sustainability of Credit in the Bank” part of the series of meetings dedicated to the “ESG Week”. The same held a meeting with branch colleagues to explain the features of credit lines to support San Marino households and businesses in the face of soaring energy costs.

The AML Officer attended the specialized course “The Role of the AML Function and the Monitoring of ML/FT Risks” promoted by SP Consulting and accredited by AIRA, while the SRIA took part in the AML seminar organized by IN FORMA inherent to “Anti-Money Laundering and Countering the Financing of Terrorism Regulations” and AIRA’s seminar “New Cyber Risks”; both then took part in the training event “ANTI-MONEY LAUNDERING” held by the Director and representatives of FIA. Given the special situation that has arisen in the international arena, the AML Officer entertained network colleagues on the subject of “International Financial Sanctions arising from the Russia and Ukraine crisis, providing Operational Guidelines for the Group,” and in November held several training sessions on Anti-Money Laundering, which were attended by employees and corporate officers.

The presentation of the Cerved report on “The Russia-Ukraine Crisis and the Impacts on Italian Businesses” was attended by some of the control, planning and management control functions in addition to sales.

The Head of the Organizational unit, together with some colleagues identified according to the specific topics covered, attended two specific courses for the Organization Function promoted by ABI: “Fundamentals of Organization in Banking-Designing the Organization of the Changing Bank.”

On the managerial side, training was initiated for certain unit managers to address issues concerning “The relationship with employees: leadership and motivation”; this training consisted of 9 meetings both in-person and online. The Head of Internal Audit took part in the event: “The Privacy Audit: assessments verifications, risk management” organised by IN FORMA, while the Head and Deputy of the Legal Secretariat and Corporate Affairs unit benefited from the training session sponsored by Convenia: “Transfer of V the recommendations of the Bank of Italy.”

The training course, organized by the Institute of Chartered Accountants concerning “The Electronic Invoice,” was attended by a colleague who is also involved in this activity.

The “Blockchain and virtual assets,” event organized by San Marino Innovation, was attended by the Deputy Director General together with numerous colleagues from organizational units.

The highly topical subject of Cybersecurity involved all Group employees through information sessions, held by the IT colleague, who has achieved specific certification in this area. Given the constant evolution of the Cybersecurity topic, the training of the IT colleague continued in 2022, which

saw him achieve the certification of “Advanced Security Practitioner” from the certifying body ComTIA.

It should be noted that the Head of the Legal and Corporate Affairs Secretariat has finished the course on “Higher Education for Legal and Economic Professions 2021/2022,” organized by the University of the Republic of San Marino.

The first half of the year also saw the completion of the course organized by ABS for Corporate Officers and Senior Figures, which also began in the 2021 Financial Year. A seminar on the reform of the San Marino Corporate Law was also organized by ABS.

Colleagues licensed to practice trusts attended the annual refresher course at the Trust Academy to maintain their earned certification.

The participation of components of the Litigation and Debt Collection units in the course organized by Tidona in relation to the changes introduced by “The New Code of Business Crisis: the impact on banking relationships” was favored.

The Head of Internal Audit held a training meeting titled “The Organizational and Management Model ex art.7 Law 99/2013” aimed at ensuring the proper dissemination of its contents within the corporate structure and its implications, with references also to the main indications of the Code of Ethics.

The participation of the Marketing Function in the seminar “Contamination in Communication” and the workshop: “Translating Current Affairs into Communication Plans” sponsored by ABI is recorded.

Risk management and control methodologies

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

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

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

The control system is divided into three levels:

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

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

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

The IA Officer reports directly to the Board of Directors, prepares the guidelines and the annual audit/inspection plan to be carried out with regard to the Bank and all Group Entities for which the Function has been outsourced and in any

case without prejudice to the power to intervene on the entire perimeter, and proposes the same to the Board of Directors for their approval.

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

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

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

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

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

During the financial year, the **Internal Auditing Function** followed up on the actions planned on the basis of the Internal Audit Plan 2022–2024 resolved by the Parent Bank's Board of Directors, in addition to the specific planning assumed by the Subsidiary BAC Life S.p.a. whose Internal Auditing activities are outsourced to the same Function of the Parent Bank BAC. As for the Subsidiary BAC Investments SG S.p.A., it should be noted that the Internal Auditing function was outsourced to a third-party company.

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

- Regulatory functions: it translated the general and specific provisions issued by the Supervisory Bodies into its own binding directives for its subsidiaries and verified their compliance.

- Control functions: it equipped the Group with an Internal Control System, validated the control procedures and disclosed the criteria for measuring, managing and controlling all risks.

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

TYPE	YEAR	NO	INTERNAL REGULATIONS	PRIMARY AND SUPERVISORY PROVISIONS
CIR	2022	1	FIA Newsletter 5/2021.pdf	"News related to combating money laundering and terrorist financing published on major national and international websites.
CIR	2022	19	Urgent interventions companies' families of San Marino D.D.52.2022	Support measures for families, Businesses/Self-Employed, Freelancers and Professional Agricultural Workers on mortgages and financing
CIR	2022	21	Issuance of public debt securities	"Republic of San Marino, Fixed Rate 0.80%, 2 June 2023" referred to in Decree No. 61 of 11 April 2022.
CIR	2022	32	FIA Newsletter 01-02-03/2022	FIA Newsletter 2022/01-02-03 on combating money laundering and terrorist financing published on major national and international websites"
CIR	2022	34	Delegated Decree No. 8 of 24 January 2022	"Provisions on financial matters in implementation of Regulations (EU) 648/2012, 909/2014, 236/2015 and 1011/2016."
CIR	2022	37	Secondary market public debt securities	"Article 3 of Law No. 94 of 24 June 2022"

In addition, the main internal regulatory actions that resulted in adjustments in the Regulations in use and/or the issuance of new texts are noted below:

TYPE	YEAR	NO	INTERNAL REGULATIONS	INTERNAL REGULATORY DEVELOPMENTS AND/OR EXTERNAL REGULATORY ADJUSTMENTS
CIR	2022	2	Credit Regulations 2022	Update of the "Credit Regulations" (February 2022)
CIR	2022	13	Risk Appetite Framework 2022	Update of the "RAF Risk Appetite Framework" (March 2022)
CIR	2022	16	BAC Code of Ethics 2022	Update of the "BAC Group Code of Ethics" (March 2022)
CIR	2022	17	Organizational Model Law 99.2013 (2022)	"Organizational and Management Model ex art.7 Law 99.2013 General Part & Special Part" (updated January 2022)
CIR	2022	20	Policy on Level II Performance Monitoring BAC 2022	Update of "Policy Performance Monitoring Level II" (February 2022)
CIR	2022	25	Single Text AML CFT PF BAC 2022	Update of the "Consolidated Act on Anti-Money Laundering, Countering the Financing of Terrorism and the Proliferation of Weapons of Mass Destruction" (May 2022)
CIR	2022	28	Consolidated Guarantees Act BAC 2022	Update of the "BAC Group Guarantees Consolidation Act" (July 2022)
CIR	2022	41	BAC General Regulations 2022	Update of the "General Regulations of Corporate Bodies, General Management and Peripheral Structures" (November 2022)
CIR	2022	42	BAC Internal Control System Regulations 2022	Update of the "Internal Control System Regulations" (November 2022)
CIR	2022	43	BAC Internal Auditing Regulations 2022	Update of the "Internal Auditing Function Regulations" (November 2022)
CIR	2022	44	BAC Compliance Regulation 2022	Update of the "Regulations of the Compliance Function" (November 2022)
CIR	2022	45	BAC Risk Management Regulation 2022	Update of the "Regulations of the Risk Management Function" (November 2022)
CIR	2022	46	AML Officer – Staff AML BAC 2022 Regulations	Update of the "Regulations of the Anti-Money Laundering Officer – AML Staff Structure" (November 2022)

The **Risk Management Function** performed its activities in the manner and frequency prescribed by internal regulations. During 2022, the Bank approved the update of the 2022–2024 Business Plan and consequently the new RAF was approved.

Specifically, during 2022, the Risk Management function carried out the following main activities:

- Formulation of opinions on major operations;
- Quarterly analysis of risk positioning and verification of compliance with limits under 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 regulations on Level II controls on performance monitoring;
- Reporting of loss events related to operational risk;
- Monitoring market risk related to the Bank's proprietary portfolio;
- Monitoring of rate risk exposure and related stress tests;
- Supporting the General Management and Planning and Management Control in setting and verifying the objectives set forth in the Business Plan;
- Preparation of the NPL plan incorporated into the Business Plan.

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

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

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

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

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

The **Anti-Money Laundering Officer** is the guarantor of all the activities established by the current regulations inherent to the prevention and combating

of money laundering, financing of terrorism and proliferation of weapons of mass destruction. The AML Officer is responsible for receiving internal suspicious transaction reports, investigating them in depth and forwarding them to the FIA if it deems them to be well-founded. The Officer performs the analysis of transactions made by customers based on his own initiative, researches and acquires information and, if he deems the anomalies detected to be genuinely attributable to a suspicion, sends a report to the FIA. Plays an interlocutor role with FIA, responds promptly to requests from FIA and is the link between the Corporate Network and the FIA. Prepares an annual report on the activities carried out including the plan of controls, submitting it to the Board of Directors for their approval, subject to the favorable opinion of the Board of Statutory Auditors, annually proposes to the Anti-Money Laundering Committee a training plan for all employees of the Banking Group, aimed at achieving a refresher training on an ongoing basis of the Senior Management, employees and collaborators, according to the duties performed, analyzes “unexpected” transactions characterized by unusually high amounts and those on which there are doubts as to the purposes for which they are concretely preordained, takes care of the forwarding to FIA of reports on violations of the rules on limitations on the use of cash and bearer securities, inconsistency of the declaration of the beneficial owner, on the freezing of funds. The AML Officer also receives reports of violations of the anti-money laundering “whistleblowing” regulations by ensuring that all employees, collaborators and corporate officers are able to send a report and takes care of its transmission to the FIA. He does not allow unauthorized persons access to its files and is responsible for the confidentiality of documents acquired and reports received.

AML Staff

To carry out its duties, the AML Officer makes use of the Staff Structure called “AML” (Anti Money Laundering). The AML Staff, ensures the performance of all operational and control activities inherent to the prevention and combating of money laundering and terrorist financing for the Bank and, where applicable (in case of outsourcing to the Parent Bank), for the Subsidiaries. It represents the central functional reference for AML reports received by the Network.

Risk management policies

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

On the subject of monitoring and managing risks (credit, market, liquidity, interest rate, exchange rate, counterparty and operational), the Risk

Committee met periodically to assess the level reached by the risk indicators as defined by the Board of Directors and to define any return strategies in case of limits being exceeded. If the limits were exceeded, the Board of Directors was informed.

Credit and counterparty risk

Credit risk is defined as the risk that, as part of a credit transaction, the debtor does not fulfil his obligations to repay the principal and/or pay interest, even partially, to his creditor. The definition of credit risk also includes the risk of downgrading of the debtor, i.e., the possibility that the creditworthiness of a counterparty turns out to be lower than originally estimated by the creditor.

The procedures for managing and monitoring this risk are governed by the current Credit Regulations. The document defines the Bank's policies on credit disbursement and sets out the guidelines that must guide the lending activity, the organisation of the lending process, the functions involved and the risks associated with it. Concerning strategic limits, the document contains their definition, the permitted level, the monitoring methods and the management of any excesses.

The Prudential Supervisory Regulations (CBSM Regulation 2007-07) require the bank to maintain a level of regulatory capital sufficient to cover 11% of the total risk-weighted assets to cover the risk of loss due to default by debtors. These credit risk weighting coefficients applied to the exposure net of value adjustments, are differentiated according to three parameters and, particularly, debtor counterparties, country risk and guarantees received.

In order to focus more on the management and monitoring of non-performing loans, the Bank adopted regulations relating to doubtful loans. The document defines the procedures for classification, management and assessment of doubtful loans. Impaired loans are assigned to specific internal organisational units. In order to reduce the risk of generating non-performing loans and analyse predictive signs of insolvency situations, checks are carried out on anomalous trends, with consequent communication to the organisational units in charge of restoring correct operations.

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

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

Market and exchange rate risk

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

In order to adequately manage and monitor this type of risk, consistent with the level of available capital, the Bank defined the policies on carrying out the financial activity of treasury and securities portfolio management within the Treasury Management Regulations. The document sets out the structure of the finance process, the functions involved, the types of risk involved, the rules for valuing securities in the proprietary portfolio, the strategic limits and 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 obtained from the Bloomberg infoprovder.

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

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 represented by 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 socially oriented charitable initiatives characterized by high ethical values. As usual, also in the year 2022, and in compliance with the resolutions of the Shareholders' Meeting, the Bank's Board of Directors supported the following associations during the past financial year:

- Associazione Sammarinese per la lotta contro le Leucemie (ASLEM);
- Donazione Rifugiati i Ucraini;
- Colletta Alimentare.

Significant events occurring after the close of the year

The year 2023 opened with the visit of the International Monetary Fund (hereinafter also IMF), which carried out the usual follow-up, following the mission undertaken since 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. The delegation conducted a series of meetings with government institutions, the Supervisory Authority, and Banks.

The discussion focused on the new challenges that the financial system will have to face in 2023 inescapably, such as: the Non-Performing Loans securitization project and its operational aspects, the impacts of the regulations on Documentary Supervision and Calendar Provisioning that the Supervisory Authority will issue in 2023, in compliance with the EU-level provisions of Regulation 630/2019, harmonized with existing EU regulations (EU Reg. 575/2013 (CRR), to EU Del. Reg. 2018/171, to EU Reg. 2021/451).

As part of the securitization project of non-performing loans, BAC, together with the other Banks, has initiated from 2023 with the selected arranger a capillary exchange of information for the transfer of impaired loans to the Special Purpose Vehicle.

In parallel, functional analyses were undertaken for the IT implementations that the new regulations will impose, forming working groups with the heads of the affected units for relevant analyses and comparisons with programmers.

As already mentioned, the process of the Republic's association with the European Union for San Marino Banks represents a demanding challenge necessary to guide the transition to a banking model capable of competing with Italian and European realities.

Meanwhile, both the conclusions of Fitch, which in its assessment last February 2023 noted an improvement in the trajectory of public debt, which was given at 82.1 % of GDP at the end of 2021, with a forecast to fall below 70 % by the end of 2024, and the conclusions of the IMF, which highlights that efforts to improve bank capitalization and profitability continue and are bearing fruit. However, given remaining vulnerabilities, plans to reduce nonperforming assets should not be delayed further.

Business outlook

BAC revised the 2023–2025 three-year Development Plan, which was finally approved by the Board of Directors in the first quarter of the year. The bank's business model will continue to be that of a territorial commercial bank, with the customer at the center of the Group's activities. The business strategy is aimed at increasing assets and margins and is focused on personalised products, customer segmentation with relative allocation to managers, the distribution model, growth in advisory support to customers for asset protection, the push for digitization, and cross activity with Group companies. The objectives also include the development of profitability, the maintenance of adequate levels of liquidity, as well as the gradual strengthening of capital strength, in light of the regulations being enacted referred to in the previous paragraph.

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 was once again difficult for the country and the financial system, which, after the return of the health emergency and its latest aftermath, had to cope with the energy crisis triggered by the outbreak of the Russian–Ukrainian conflict and further volatility in the monetary and financial markets. We extend esteemed appreciation to the Board of Statutory Auditors and the Supervisory Authority for their comparisons and support. Last but not least, the sincerest gratitude is directed to our customers for the preference given to the services and products offered by the Bank.

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

Dear Shareholders,

We submit the financial statements for the year ended as of 31/12/2022 for your approval, consisting of the Statement of Assets and Liabilities, Profit and Loss Account, and Explanatory Notes to the Financial Statements in addition to the Management's Report on Operations. We propose to approve the allocation of the 2022 financial year profit of €1,051,177.53; €210,235.51, equal to 20% of the profit, to the ordinary reserve as per regulatory regulations and €840,942.02 to the non-distributable reserve usable for future capital increase (liability item 130 Reserves, d) other reserves), as indicated by Prot.20/13417 dated 22/12/2020 of CBSM following the transfer of securities from the investment portfolio to the free portfolio that took place in the 2020 financial year and in the first half of 2021; this is a transaction fully described in the financial statements for the years ended as of 31/12/2020 and 31/12/2021, which provides for the replenishment of the reserve up to the amount of the income realized through said transfer.

With the above approval, the composition of Net Equity will be as follows:

NET EQUITY	31/12/2022
Share capital – subscribed and paid-up shares	20.880.080
Ordinary reserve fund	46.936.389
Extraordinary reserve fund	–
Share premium reserve fund	–
Reserve fund for own shares	14.378
Non-distributable reserve fund	967.556
Revaluation reserves	18.116.756
Losses carried forward	–
Result for the year	–
Total	86.915.157

It should be noted that there are 553 treasury shares held in the Bank's portfolio with a par value of €14,378 and represent 0.07% of the share capital.

San Marino, 27 april 2023

The Chairman of the Board of Directors



Subjective and objective conditions

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

San Marino, 27 april 2023

04

Financial statements representation



Statement of assets and liabilities – Assets

CODE	ASSET ITEMS	31/12/2022	31/12/2021
10	Cash and cash equivalents with central banks and post offices	8.055.774	4.328.218
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	166.016.695	182.078.479
	a) At sight	134.236.080	155.100.534
	b) Other receivables	31.780.614	26.977.945
40	Loans to customers	270.870.548	282.530.214
	a) At sight	107.731.601	111.945.987
	b) Other receivables	163.138.947	170.584.227
50	Bonds and other debt financial instruments	191.419.940	80.782.894
	a) Public issuers	24.550.257	38.749.760
	b) Bank issuers	69.036.201	18.228.712
	c) Financial firms other than banks	83.848.321	16.005.861
	d) Other issuers	13.985.160	7.798.561
60	Shares, stocks and other capital financial instruments	42.467.180	29.888.948
70	Shareholdings	5.620.040	5.716.956
	a) Financial firms	4.976.172	5.048.869
	b) Non-financial businesses	643.868	668.087
80	Equity investments in group companies	7.619.975	7.839.372
	a) Financial firms	7.287.620	7.227.317
	b) Non-financial businesses	332.355	612.055
90	Intangible fixed assets	1.425.025	1.411.315
	a) Financial leasing	420.731	470.981
	of which Assets under construction	–	–
	b) Assets awaiting lease	–	–
	of which Due to default by the tenant	–	–
	c) Assets available from debt collection	–	–
	of which Assets available for credit extinction through a settlement agreement	–	–
	d) Goodwill	–	–
	e) Installation expenses	–	–
	f) Other intangible fixed assets	1.004.294	940.334
100	Tangible fixed assets	164.009.127	164.850.784
	a) Financial leasing	58.013.311	58.739.716
	of which Assets under construction	14.006.957	10.644.346
	b) Assets awaiting lease	2.192.829	2.611.997
	of which Due to default by the tenant	2.192.829	2.611.997
	c) Assets available from debt collection	77.031.407	76.070.413
	of which Assets available for credit extinction through a settlement agreement	77.031.407	76.070.413
	d) Lands and buildings	26.229.751	27.157.381
	e) Other tangible fixed assets	541.829	271.277
110	Capital subscribed and not paid-in	–	–
	of which Called-up capital	–	–
120	Own shares or quotas	14.378	14.378
130	Other assets	137.733.448	125.547.851
140	Accrued income or prepaid expenses	406.680	246.935
	a) Accrued income	248.063	68.324
	b) Prepaid expenses	158.616	178.611
150	Total assets	995.658.808	885.236.344



Statement of assets and liabilities – Liabilities

CODE	LIABILITIES ITEMS	31/12/2022	31/12/2021
10	Amounts due to banks	3.129.848	1.228.033
	a) At sight	905.075	1.228.033
	b) Term or without notice	2.224.773	-
20	Amount due to customers	636.981.825	512.022.575
	a) At sight	502.227.668	468.476.402
	b) Term or without notice	134.754.157	43.546.173
30	Payables represented by financial instruments	161.664.475	195.251.102
	a) Bonds	-	-
	b) Certificates of deposit	161.664.475	195.251.102
	c) Other financial instruments	-	-
40	Other liabilities	102.505.997	86.833.489
	of which checks in circulation and similar securities	571.736	687.867
50	Accrued expenses and deferred income	238.432	148.747
	a) Accrued expenses	339	715
	b) Deferred income	238.093	148.032
60	Severance	516.074	516.480
70	Reserves for risks and charges	706.011	1.010.894
	a) Provisions for pensions and similar obligations	-	-
	b) Tax reserves	13.803	13.803
	c) Other reserves	692.208	997.091
80	Provisions for credit risks	600.000	-
90	Provision for general financial risks	-	-
100	Subordinate liabilities	2.400.988	2.400.988
110	Subscribed capital	20.880.080	20.880.080
120	Share premium reserve	-	-
130	Reserves	46.867.144	49.389.948
	a) Ordinary or legal reserve	46.726.154	49.248.958
	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	126.612
140	Revaluation reserves	18.116.756	18.076.812
150	Retained earnings (losses) carried forward	-	-
160	Profit (loss) for the year	1.051.178	-2.522.804
170	Total liabilities	995.658.808	885.236.344



Guarantees and commitments

CODE	ITEMS	31/12/2022	31/12/2021 proforma
10	Guarantees given	17.877.916	15.435.640
	of which a) Acceptances	-	48.948
	b) Other guarantees	17.877.916	15.386.692
20	Commitments	20.448.181	17.984.294
	of which a) For specific use	11.915.665	14.503.935
	of which Financial instruments	-	-
	b) For unspecific use	7.151.029	2.170.497
	of which Financial instruments	-	-
	c) Other commitments	1.381.487	1.309.862
	Total	38.326.097	33.419.934



Profit and loss account

CODE	PROFIT AND LOSS ACCOUNT ITEMS	31/12/2022	31/12/2021 proforma
10	Interest income and similar revenues	14.408.118	12.467.553
	a) On loans to banks	253.468	-132.267
	b) On loans to customers	10.099.198	10.670.992
	c) On debt securities	4.055.452	1.928.828
20	Interest expense and similar charges	2.428.540	2.792.654
	a) On amounts due to banks	10.441	5.027
	b) On amounts due to customers	710.606	664.275
	c) On debts represented by financial instruments	1.707.493	2.123.352
	of which On subordinate liabilities	71.850	71.850
30	Dividends and other revenues	1.528.558	574.642
	a) On stocks, quotas and other equity securities	601.274	-
	b) On shares	-	-
	c) On groupcompany shares	927.284	574.642
40	Commission income	7.036.476	6.391.980
50	Commission income	1.849.188	1.375.554
60	Profits (losses) on financial transactions (+/-)	108.097	-1.301.462
70	Other operating income	12.228.954	11.566.339
80	Other overhead costs	-	-
90	Administrative expenses	12.690.059	12.421.411
	a) Personnel expenses	8.277.093	8.008.517
	▪ Salaries and wages	5.890.264	5.714.782
	▪ Welfare contributions	1.605.057	1.551.661
	▪ Severance	505.952	509.472
	▪ Pensions and similar obligations	-	-
	▪ Directors and aditors	233.261	193.740
	▪ Other personnel costs	42.559	38.862
	b) Other administrative expenses	4.412.966	4.412.894
100	Value adjustments on intangible fixed assets	240.157	197.484
110	Value adjustments on tangible fixed assets	11.633.588	11.302.337
120	Provisions for risks and charges	90.000	70.225
130	Provisions for credit risks	600.000	-
140	Value adjustments on loans and on provisions for guarantees and commitments	10.105.471	9.567.017
150	Write-backs on loans and provisions for guarantees and commitments	5.548.807	5.027.418
160	Value adjustments on financial fixed assets	386.310	611.422
170	Write-backs on financial fixed assets	-	-
180	Profit (loss) from ordinary activities	835.697	-3.611.634
190	Extraordinary income	627.003	1.310.218
200	Extraordinary expenses	411.522	221.388
210	Extraordinary profit (loss)	215.481	1.088.830
220	Taxes for the year	-	-
230	Change in the provision for general financial risks	-	-
240	Profit (loss) for the year	1.051.178	-2.522.804



Cash flow statement (amounts in euro)

FUNDS GENERATED AND DEPOSITED	31/12/2022	31/12/2021	FUNDS USED AND INVESTED	31/12/2022	31/12/2021
Funds generated by management	24.660.561	19.773.228	Value recovery and use of funds generated by management	6.497.954	5.573.189
Profit (loss) for the year	1.051.178	(2.522.804)	Use of provision for pension	-	-
Allocation to the pension fund	-	-	Use of provision for severance	525.265	522.895
Severance	524.859	516.480	Use of provisions for credit risk	-	-
Provision for credit risks	-	-	Use of provisions for risks and charges	423.882	22.877
Provisions for risks and charges	718.999	101.294	Decreases in the provision for bad debts	5.548.807	5.027.418
Increases in the provision for bad debts	10.491.781	10.178.439			
Value adjustments on tangible and intangible fixed assets	11.873.745	11.499.820			
Increase in funds deposited	142.623.258	38.670.917	Increase in funds invested	150.333.973	78.293.925
Amount due to banks	1.901.814	38.338	Cash and other values	3.727.556	1.123.763
Amount due to customers	124.959.250	38.632.579	Loans to banks	-	47.421.021
Payables represented by financial instruments	-	-	Loans to customers	-	-
Other liabilities	15.672.509	-	Bonds and other debt securities	110.637.046	-
Accrued liabilities and deferred income	89.686	-	Shares, stocks and other equity securities	12.578.233	17.960.315
Subordinated liabilities	-	-	Shareholdings	-	124.811
			Equity investments in group companies	-	993.846
			Tangible and intangible fixed assets	11.045.798	10.670.168
			Other activities	12.185.596	-
			Subscribed capital not paid-in	-	-
			Accrued income and prepaid expenses	159.745	-
Decrease in funds invested	23.094.791	39.953.970	Decrease in funds deposited	33.586.627	14.546.770
Cash and other values	-	-	Amounts due to banks	-	-
Loans to banks	16.061.784	-	Amounts due to customers	-	-
Loans to customers	6.716.693	17.569.564	Payables represented by financial instruments	33.586.627	11.982.477
Bonds and other debt securities	-	17.954.968	Other liabilities	-	2.550.938
Shares, stocks and other equity securities	-	-	Accrued liabilities and deferred income	-	13.355
Shareholdings	96.916	-	Subordinated liabilities	-	1
Equity investments in group companies	219.397	-			
Tangible and intangible fixed assets	-	-			
Other activities	-	4.372.158			
Subscribed capital not paid-in	-	-			
Accrued income and prepaid expenses	-	57.280			
Changes in shareholders' equity	39.944	15.770	Changes in shareholders' equity	-	-
Increase "other reserves"	39.944	15.770			
Capital payment	-	-			
Total funds generated and deposited	190.418.554	98.413.885	Total funds used and invested	190.418.554	98.413.885



05

Explanatory notes



Explanatory notes to the 2022 financial statements

STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

PARTE A – Accounting principles	
Sezione 1 – Illustration of accounting principles	105
PARTE B – Information on the statement of assets and liabilities	114
PARTE C – Information on the profit and loss account	174
PARTE D – Other Information tables	191
PARTE E – Other Information	195

Structure and content of the financial statements

The financial statements for the year 2022 were prepared in accordance with the provisions of the Regulation no. 2008-02 about the preparation of the financial statements of banks issued on 23 September 2008 by the Central Bank of the Republic of San Marino, pursuant to article 39 of Law no. 165 of 17 November 2005.

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

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

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

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

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

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

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

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

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

The various entries in the Financial Statements correspond to the company's



accounts which were drawn up in correspondence to the administrative transactions that occurred during the year.

In general, no conditions arose that entailed changing the way that the entries in the financial statements, or the relative criteria, are represented with respect to the previous year. In the cases in which this occurred, clear information is provided in the analysis of the single entry.

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

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

The recognition of incomes and charges was made on an accrual basis, regardless of the date of collection or payment, and in accordance with the principle of prudence. The latter principle presides, unless the formation of non-explicit reserves is envisaged.

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

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

Assets acquired in the name or on behalf of third parties are not shown in the financial statements. Assets managed by the credit or financial body in the latter's name but on behalf of third parties are shown in the financial statements only if the body in question is the title holder; unless specified otherwise, the amount of said assets is indicated in the explanatory notes, broken down into the various asset and liability items.

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



PART A - Accounting principles

Section 1 – Illustration of accounting principles

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

Cash and cash equivalents (asset item no. 10)

this item includes currencies with legal tender, including banknotes and foreign coins, money orders, bankers' orders and postal orders, as well as equated securities, coupons and on-demand securities. Included are also collectable coins and medals as well as gold, silver and stamped values.

Loans to credit institutions (asset item no. 30)

this item shows all loans to banks, whatever their technical form is, except for those represented by financial instruments, which require posting under item no. 50 "Bonds and other debt financial instruments".

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

Loans to customers (asset item no. 40)

this item shows the loans deriving from financing contracts with customers, whatever their technical form is, on condition that, and to the extent to which the loan was effectively granted. The loans that have not been disbursed yet, even though recorded in the accounts on the "contracting date", are not included in this item, but in the item concerning commitments. The loans represented by financial instruments are recorded in item 50 "Bonds and other debt financial instruments".

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

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

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

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



debt and regularly fulfil the obligations undertaken.

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

More specifically:

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

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

- 3 six-monthly instalments or 5 quarterly instalments for loans with an original term exceeding 36 months
- 2 six-monthly instalments or 3 quarterly instalments for loans with a term equal to or less than 36 months.
-

If the amortization plan for the loan envisaged monthly instalments, the number of instalments due and unpaid considered is as follows:

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

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

Past due and/or overdue loans: refer to exposures towards customers with individual cash and off-balance sheet loans that, unlike impaired or non-



performing loans, are past due or overdrawn in a continuative manner for more than 90 days at the reference date; if this exposure represents 20% of the overall exposure, these commitments are subject to arbitrary write-down if the amount is small. For this reason, they are considered to be “small amounts” if they meet the following significance thresholds:

- value of the individual gross exposure less than 0.5% of the Regulatory Capital;
- total value of gross exposures subject to flat-rate write-downs of less than 5% of Regulatory Capital.

Otherwise, analytical write-down is carried out.

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

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

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

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

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

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

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

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

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

More specifically:



- Long-term financial instruments represent a financial fixed asset and are made according to the parameters established by the management body. The final balance of investment securities was therefore valued at the weighted average cost, for instruments that had already been included in the investment portfolio the previous year, while their purchase cost was recorded for new acquisitions during the year. The accrued portion of the difference between the book value or purchase value and the lower/higher repayment value of the security is also recognized by recording it in the assets under item no. 50 "Bonds and other financial instruments" with respect to the value of each specific security. In the event of the lasting deterioration of the issuer's state of solvency, or the ability to repay the debt by the country of residence of the latter, investment securities are written down. Other write-downs may be recorded to take the following into account:
 - the relevant share prices of securities listed on regulated markets;
 - market trends, for other securities.

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

- Trading financial instruments are held for trading or for treasury requirements; they are valued on the basis of assumed market trends as expressly specified under paragraph 5 of art. III.II.5 of CBSM Regulation 2016-02:
 - a. the market value of listed financial instruments is represented by the market price, namely, the weighted average of the prices recorded in the last month prior to valuation, and consequent recognition of both losses and gains.
 - b. the market value of unlisted financial instruments is calculated on the basis of the value of similar listed and unlisted instruments, or, if the latter is not possible, on the basis of reasonable estimates.
 - c. the own shares held by the Institute are recorded at their par value.

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

Additional allocations to the fixed asset portfolio may be possible under specific regulatory interventions, for which adequate and comprehensive information is provided.

Shares, units and other equity financial instruments (asset item no.60)

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



Shareholdings (asset items no. 70 and 80)

Shareholdings in subsidiaries representing financial fixed assets because they are held in assets for the purpose of stable 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 items 90 and 100)

The amount of assets subject (or awaiting to be subject) to financial lease is recorded under item 90 of assets “Intangible fixed assets,” or under item 100 of assets “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 year end, the cost item used becomes part of item 110 "Value adjustments to tangible assets" depending on the nature of the leased asset.

Assets and liabilities in foreign currency

Assets and liabilities denominated in foreign currency and off-balance sheet transactions are recognized at the spot exchange rate in effect at year end, according to art.III.II.7 of Regulation 2016/02.

Off-balance sheet transactions in foreign currency are recognized at the spot exchange rate in effect at year end, if such regards spot transactions which have not been settled or forward transactions to "hedge" spot transactions. In the latter case, the differentials between forward exchange rate and spot exchange rate of the expiring contracts are recorded in the profit and loss account on an accrual basis and include the interests generated by covered assets and liabilities: this is to be recorded in the profit and loss account item 10-20 "Interest income (expenses) and similar revenues (charges)."

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

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

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

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

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

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

Amounts due to credit Institutions (liability item no. 10)

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

The amounts due to banks include the equivalent value of the financial

instruments received by the selling bank as spot in repo and carry-over transactions for which the transferee bank is obliged to forward resale.

Amounts due to customers (liability item no. 20)

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

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

The above items are recorded at nominal value.

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

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

The spot value of "repurchasing agreements" is indicated in the specific liability item, while the underlying securities are represented in the assets under the item "Bonds and other debt securities". In cases, in fact, of "repurchase agreement" transactions with obligation of retrocession, the assigning bank maintains ownership of the assets underlying the transaction, increasing spot liquidity and, consequently, recording a certain debt to the assignee (liability and not commitment to be recorded in the memorandum accounts Commitments and Risks).

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;
- a. 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 only losses, charges or payables of a set nature, the existence of which is probable or certain, the amount or date of occurrence of which, however, could not be determined at the end of the financial year.

These funds are composed of:

- the provisions for taxes, comprising allocations made for direct current taxation. These represent a reasonable forecast of the tax charges for the period calculated on the basis of current tax legislation;
- the charity fund and religious and cultural initiatives;
- the provision for passive causes;
- the provision for unused holidays;
- the contractual increase fund for employees against the contractual holiday effective 31/12/2010.

Provisions for risks on credits (liability item no. 80)

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

Reserves (liability item no. 130)

The ordinary reserve consists of the allocation of profits formed in previous years as required by the articles of association. Furthermore, it contains the reconstruction of the suspended taxation reserve following the extraordinary demerger operation by reverse incorporation of the company Istituto Bancario Sammarinese Spa, which occurred in November 2012, in application of the law deriving from the tax deduction for increases of the own capital established by Delegated Decree no. 172 of 26/10/2010, subsequently replaced with the

law 166/2013 art.74 et seq. According to the aforementioned legislation, article 78 establishes that the suspended taxation reserves recorded in the last financial statements of the demerged company must be reconstituted by the beneficiaries according to the proportional shares. In the event of a partial demerger, the reserves of the demerged company are reduced accordingly. If the tax suspension depends on events concerning specific assets of the demerged company, the reserves must be re-established by the beneficiaries who acquire such elements.

Guarantees given (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	31/12/2022	31/12/2021	CHANGE	
			Amount	%
Cash and cash equivalents:				
Vault cash	6.738.346	3.317.537	3.420.809	103,11%
Foreign currency Vault	266.900	129.152	137.748	106,66%
ATM	777.875	639.100	138.775	21,71%
Cheques in € / currency	237.245	205.873	31.372	15,24%
Other values	35.407	36.556	-1.149	-3,14%
Total	8.055.774	4.328.218	3.727.555	86,12%

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	31/12/2022			31/12/2021			CHANGE	
	In euro	In foreign currency	Total	In euro	In foreign currency	Total	Amount	%
A) At sight:	127.239.919	6.996.161	134.236.080	146.376.443	8.724.091	155.100.534	-20.864.454	-13,45%
A1. Reciprocal accounts opened for services rendered	117.319.355	–	117.319.355	140.567.090	–	140.567.090	-23.247.735	-16,54%
A2. Active current accounts	9.920.564	6.996.161	16.916.725	5.809.353	8.724.091	14.533.444	2.383.281	16,40%
A3. Others	–	–	–	–	–	–	–	–
B) Other receivables:	31.780.614	–	31.780.614	26.977.945	–	26.977.945	4.802.669	17,80%
B1. Fixed deposits	31.780.614	–	31.780.614	24.827.018	–	24.827.018	6.953.596	28,01%
B2. Active current accounts	–	–	–	–	–	–	–	–
B3. Repurchase agreement and active carryovers	–	–	–	–	–	–	–	–
B4. Others	–	–	–	2.150.927	–	2.150.927	-2.150.927	-100,00%
Totale			166.016.694			182.078.479	-16.061.785	-8,82%

The breakdown of loans due from banks shows a decrease in sight deposits balances on reciprocal accounts opened for services rendered for €23,247,735 and an increase on the current accounts for €2,383,281; the composition of other accounts receivable from Credit Institutions increases overall by €4,802,669. The changes are affected by the effect, on the one hand, of the increase in total direct deposits and, on the other, of the increase in the proprietary securities portfolio, which saw the use of liquidity in diversified financial investments. BAC has been constantly guarding liquidity through targeted liquidity risk management and monitoring, maintaining the necessary buffers to cope with possible stresses as a result of the economic downturn, attributable first to the pandemic from COVID-19 and, subsequently, to the outbreak of the Russian-Ukrainian war in 2022; the buffers are in line with the guidelines of the current Risk Appetite Framework (RAF) Internal Regulations. It should be noted that item B1 “Time deposits” includes: the time deposit for Compulsory Reserve with CBSM amounting to €23,913,948, established by Decree no.162 of 3 December 2009, the contribution percentage of which was reduced from 5% to 3.50% from May 2021; the escrow deposit also with the Supervisory Authority for the contribution of the 2022 tranche to the Depositors’ Guarantee Fund in the amount of €212,623; the deposit to guarantee the transmittal to CBSM pursuant to Reg. 2013-03 and other restricted deposits with CBSM for investment and with Italian banks for foreign operations; as well as restricted deposits of €2,224,773, set up with a Credit Institution to guarantee mutual contractual obligations undertaken (mirrored in liability item 10 are deposits set up with Bac by the same Credit Institution for the same amount).



Table 3.2 – situations of cash loans to credit institutions

CATEGORIES / VALUES	31/12/2022			31/12/2021		
	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	166.016.694	-	166.016.694	182.078.479	-	182.078.479
of which Deriving from financial leasing transactions	-	-	-	-	-	-
Totale	166.016.694	-	166.016.694	182.078.479	-	182.078.479

di cui Totale operazioni di leasing finanziario

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	31/12/2022	31/12/2021
At sight	134.496.082	155.100.534
Up to 3 months	5.000.000	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	26.520.612	24.817.017
Total	166.016.694	182.078.479

The “unallocated maturity” range includes the ROB Deposit, the Depositors' Guarantee Fund escrow deposit and the Transmittance Guarantee Deposit set up with CBSM, as per the directions made at the time by the Supervisory Authority.

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

Table 4.1 – breakdown of item 40 “loans to customers”

DESCRIPTION	31/12/2022			31/12/2021			CHANGE	
	In euro	In foreign currency	Total	In euro	In foreign currency	Total	Amount	%
A) At sight / revocation	107.087.858	643.743	107.731.601	111.246.482	699.505	111.945.987	-4.214.386	-3,76%
A1. Active current accounts	11.491.032	267	11.491.299	16.464.261	5.006	16.469.267	-4.977.968	-30,23%
A2. Others	95.596.826	643.476	96.240.302	94.782.221	694.499	95.476.720	763.582	0,80%
B) Other credits	163.024.710	114.237	163.138.947	170.584.227	–	170.584.227	-7.445.280	-4,36%
B1. Active current accounts	2.710.231	–	2.710.231	4.193.054	–	4.193.054	-1.482.823	-35,36%
B2. Discounted wallet and subject to collection	5.187.666	–	5.187.666	3.267.016	–	3.267.016	1.920.650	58,79%
B3. Repurchasing agreements and active carryovers	–	–	–	–	–	–	–	–
B4. Other financing	155.126.813	114.237	155.241.050	163.124.157	–	163.124.157	-7.883.107	-4,83%
Total	270.112.568	757.980	270.870.548	281.830.709	699.505	282.530.214	-11.659.666	-4,13%

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	31/12/2022		31/12/2021		CHANGE	
	In euro	In foreign currency	In euro	In foreign currency	Amount	%
A) from mortgages	96.701.575	-	103.988.429	-	-7.286.854	-7,01%
B) from pledge on	6.626.466	-	6.274.838	-	351.628	5,60%
B1. Cash deposits	2.531.173	-	1.923.618	-	607.555	31,58%
B2. Securities	590.225	-	589.941	-	284	0,05%
B3. Other values	3.505.068	-	3.761.279	-	-256.211	-6,81%
C) From guarantees of	147.651.480	-	165.592.463	-	-17.940.983	-10,83%
C1. Public administrations	35.466.506	-	39.655.873	-	-4.189.367	-10,56%
C2. Monetary financial institutions	505.526	-	3.273.118	-	-2.767.592	-84,56%
C3. Investment funds other than money market funds	-	-	-	-	-	-
C4. Other financial institutions	-	-	-	-	-	-
C5. Insurance companies	-	-	-	-	-	-
C6. Pension funds	-	-	-	-	-	-
C7. Non-financial corporations	99.470.544	-	107.642.406	-	-8.171.862	-7,59%
C8. Families and non-profit institutions serving families	8.917.205	-	12.544.844	-	-3.627.639	-28,92%
C8.1. Consumer and producer families	8.917.205	-	12.544.844	-	-3.627.639	-28,92%
C8.2. Non-profit institutions serving families	-	-	-	-	-	-
C9 others	3.291.699	-	2.476.222	-	815.477	32,93%
Total	250.979.521	-	275.855.730	-	-24.876.209	-9,02%

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 75.71% of the overall net loans expressed in Table 4.3 below; moreover, 31.17% is backed by real guarantees (pledge + mortgage).



Table 4.3 – situation of cash loans to customers

CATEGORIES / VALUES	31/12/2022			31/12/2021		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A) Doubtful loans	124.747.356	62.809.335	61.938.021	142.636.408	67.165.867	75.470.541
of which Deriving from financial leasing transactions	14.794.967	3.475.584	11.319.384	14.556.912	4.077.272	10.479.640
A1. Non-performing loans	83.636.766	49.632.903	34.003.863	95.072.743	54.349.233	40.723.510
of which Deriving from financial leasing transactions	8.908.661	2.985.327	5.923.334	8.327.801	3.788.168	4.539.633
A2. Substandard loans	11.631.856	1.737.463	9.894.392	21.628.565	2.475.181	19.153.384
of which Deriving from financial leasing transactions	773.113	75.808	697.305	5.655.330	283.169	5.372.161
A3. Restructured loans	27.430.723	11.426.654	16.004.069	25.837.341	10.336.567	15.500.774
of which Deriving from financial leasing transactions	4.608.116	411.908	4.196.207	568.835	5.688	563.147
A4. Past due / overdue loans	2.047.909	12.314	2.035.594	97.714	4.886	92.828
of which Deriving from financial leasing transactions	505.078	2.541	502.538	4.946	247	4.699
A5. Unsecured loans to at "risk countries"	104	1	103	45	–	45
B) Performing loans	272.796.636	3.237.239	269.559.397	272.277.851	3.395.484	268.882.367
of which Deriving from financial leasing transactions	55.845.229	2.146.167	53.699.062	56.742.042	2.208.114	54.533.928
Total	397.543.992	66.046.574	331.497.418	414.914.259	70.561.351	344.352.908
of which Total financial leasing transactions	70.640.196	5.621.750	65.018.446	71.298.954	6.285.386	65.013.568

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 remaining debt of fixed assets under lease agreements, expressed net of the related accumulated depreciation, remains accounted for in tangible and intangible assets. Financial assets classified as non-performing are composed of two main elements: loans connected to 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 loan, remains recorded in the financial statements, pursuant to Law No. 115 of 19 November 2001, under the item fixed assets under finance leases, under the sub-item "assets awaiting lease termination."

For "non-performing loans," "substandard loans," "restructured loans," and "past-due accounts/debts in arrears," the latter only if they exceeded 0.5% of regulatory capital, presumed impairment losses were calculated analytically, based on the quality of individual debtors, i.e., according to their ability to meet their obligations, based on the information available on the obligors' financial, economic and asset situation. Any collateral and personal guarantees acquired were also taken into account in determining the presumed impairment. For the other types of loans, as specified in the valuation criteria



(see Performing Loans), a lump-sum impairment was calculated based on statistical observation on the time series from March 2016 to December 2022 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.

It should be noted that, following discussions with the Supervisory Authority in 2023, the Bank classified four secondary leasing transactions, similar in some respects to operating leases, arising from relocations of properties returned to the bank's availability; therefore:

- was reversed from item 100: "a) Financial leases," the financed portion (in the amount of €340,032), and from item 130: "Other assets" ("Sundry debtors" account), the redemption portion, by re-recording these amounts under item 100 "c) Assets available for collection" (in the amount of €487,455);
- the economic components of the related fees (interest share) were reclassified to rental income (by €4,312).

The table below shows the details of the operations described above.

Transaction no.	Total original financed amount	Repurchase discharged from item 130 other assets	Residual debt discharged from item 100 a) financial leasing	Value reloaded to item 100 – assets available from debt collection	Transaction effective date	Transaction maturity date
1	310.000	186.000	116.214	302.214	25/08/22	28/08/35
2	275.000	165.000	98.942	263.942	25/08/22	25/08/37
3	140.000	70.000	62.985	132.985	25/08/22	31/08/32
4	132.910	66.455	61.892	128.347	25/08/22	23/11/34
Total		487.455	340.033	827.488		



Table 4.4 – dynamics of doubtful loans to customers

REASONS / CATEGORIES	Non-performing loans	Substandard loans	Restructured loans	Past due/overdue loans	Unsecured loans to "at risk" countries
A) Initial gross exposure	95.072.743	21.628.565	25.837.341	97.714	45
of which Interest on arrears	1.512.742	140.185	–	–	–
B) Increases	6.104.648	16.544.390	37.411.152	2.090.245	58.068
B1. Income from performing loans	612.727	233.645	–	40.182	–
B2. Income from other categories of doubtful loans	1.565.131	19.230	4.462.564	1.888.897	18
B3. Interest on arrears	54.426	63.947	117	12.596	–
B4. Other increases	3.872.364	16.227.568	32.948.471	148.570	58.050
C) Decreases	17.540.626	26.541.099	35.817.770	140.050	58.008
C1. Expenditure on performing loans	50.790	573.422	245.816	11.568	–
C2. Expenditure on other categories of doubtful loans	–	7.916.483	–	19.247	109
C3. Cancellations	4.386.593	50.096	–	–	–
C4. Collections	8.465.859	11.726.169	24.834.294	104.694	57.899
C5. Income from sales	–	–	–	–	–
C6. Other decreases	4.637.384	6.274.929	10.737.660	4.541	–
D) Final gross exposure as of 31/12/22	83.636.765	11.631.856	27.430.723	2.047.909	105
of which Interest on arrears	1.488.729	164.606	–	–	–

Strict monitoring of loans to customers and the resulting checks on their classification continued; specifically, there was a significant decrease in all major categories of impaired loans (non-performing and substandard loans).

The management of impaired loans has produced:

- collections on non-performing loans for €8,465,859 and €11,726,169 on impaired positions;
- write-offs for €4,386,593 on non-performing positions and €50,096 on substandard loans, covered by the corresponding adjustment provision (see Table 4.5).

The year 2022 shows a conspicuous decrease in gross impaired loans for €17,889,051, in addition to a corresponding decrease detectable on the amount of net impaired loans, which shows a decrease of €13,532,519, –17.93% compared to last year. Among impaired loans, tangible fixed assets subject to early termination of leasing contracts due to default of the debtor were reclassified. The amount of these fixed assets is €2,192,829 and their movements are shown next in the relevant table.

Impaired positions exhibit a coverage ratio of 50.35%, up from the previous year (47.09%), as detailed in Table 4.5 below.

We repeat what was already specified in previous years (2019–2021) regarding the circumstance represented by the start in 2016, by the Supervisory



Authority, of the process of Review and mapping of the Asset Quality of the banking system; the adjustments on loans indicated by the same Authority on the basis of the statistical exercise of the Asset Quality Review as of 30 June 2017, according to the San Marino criteria, amounted to €53.5 million.

In the financial statements closed on 31/12/2017 and 31/12/2018 BAC had accounted for adjustments amounting to €10.9 million, and then proceeded to record additional analytical adjustments amounting to €24.727 million and flat-rate adjustments amounting to €17.858 million in the financial statements closed on 31/12/2019, to complete the total adjustments indicated above, the latter of which were attributed to specific positions during 2020.

The following table shows the development of total final 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 30/06/2017 and 31/08/2018 (A)	AQR adjustments accounted in 2019 (B)	Sum (A) + (B)	AQR Adjustments. 31/12/2020
Total aqr adjustments according to san marino criteria	53,500	10,915	42,585	53,500	53,500
Broken down as follows.					
Analytical adjustments on NPL Receivables	-	10,915	24,727	-	53,500
Generic adjustments provision for risks on receivables (liabilities item 80)	-	-	17,858	-	-
	-	10,915	42,585	-	53,500

The bank availed itself of the option under Article 40 of Law No. 173 of 24 December 2018, i.e., to spread the amount of these residual write-downs over 10 financial years, starting from 2019, and therefore in the 2022 financial statements, the fourth tenth of the accrual, 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
A) Initial overall adjustments	54.349.233	2.475.181	10.336.567	4.886	–	3.395.484
B) Increases	3.357.347	309.868	1.643.505	98.435	2	1.034.744
B1. Value adjustments	2.775.482	307.242	1.421.998	1.879	–	963.396
of which Interest on arrears	51.108	–	–	–	–	–
B2. Use of provisions for credit risk	–	–	–	–	–	–
B3. Transfers from other credit categories	382.007	2.626	221.507	96.556	2	70.141
B4. Other increases	199.858	–	–	–	–	1.207
C) Decreases	8.073.677	1.047.586	553.418	91.007	2	1.192.989
C1. Value recoveries on valuations	851.084	67.101	550.952	88.942	2	1.188.524
of which Interest on arrears	–	–	–	–	–	–
C2. Value recoveries from collection	2.625.767	176.436	–	–	–	–
of which Interest on arrears	22.772	–	–	–	–	–
C3. Cancellations	4.386.593	49.967	–	–	–	–
C4. Transfers to other credit categories	36.546	754.082	2.466	2.065	–	4.465
C5. Other decreases	173.687	–	–	–	–	–
D) Final overall adjustments as of 31/12/22	49.632.903	1.737.463	11.426.654	12.314	–	3.237.239
of which Interest on arrears	1.486.655	–	–	–	–	–

The dynamics of value adjustments shows the Bank's commitment to continue its activities to guard and cover impaired loans; the adjustment provision of €66,046,573, fed by movements during the year (provisions, revaluations and utilizations), attests to the total coverage of 16.61% of gross loans, of which: 1.19% on performing loans, 0.60% on past due loans, 41.66% on restructured loans, 14.94% on substandard loans, and 59.34% on non-performing loans. As already described in the evaluation criteria, on Non-performing, Watchlist and Restructured positions, the chances of recovery were analytically valued. For Past Due and/or Overdue Loans, an analytical evaluation was carried out on positions above 0.5% of Regulatory Capital and a flat-rate valuation on those below, with expected loss percentages compounded compared to those estimated for performing loans. This practice is pursued provided that the aggregate subjected to flat-rate valuation does not exceed 5% of Regulatory Capital; otherwise, analytical valuation of all exposures is carried out. For doubtful loans to countries at risk, a flat-rate write-down was made equal to that calculated for performing loans, given the smallness of the exposure. For Performing Loans, a flat-rate write-down was performed through the application of the average percentage of the estimated expected loss on the Bank's loan portfolio, observed over a time horizon of 5.5 years, and subdivided according to the sector they belong to: – Government and



Public Administration, – Financial Companies, – Non-Financial Companies, – Private Individuals, – Others. Specifically, for each type of counterparty, the transition matrix was constructed and then the relative PD (Probability of Default) was determined, and the bank's average LGD (Loss Given Default) was noted, again based on the observation of data within the mentioned time frame.

It should be noted that as of 31/12/2022, past due and/or overdue loans include receivables for €2,003,139 claimed from the newly established “NCO Immobiliare Srl,” a company in which the bank has an interest together with other credit institutions in the square, resulting from a redefinition of commitments on receivables claimed from a major San Marino real estate group. The company, in which all the real estate previously owned by the debtors has been conferred, will dispose of said real estate, with allocation of the proceeds aimed at extinguishing the debts owed to the credit institutions. Extensive information on the transaction was provided to the Supervisory Authority. The overdue positions were regularized in January 2023, allowing their classification among performing loans; therefore, on these loans the flat-rate write-down provided for performing positions was already applied to the 2022 financial statements, given the transitory nature of the anomaly, due to a mere delay in finalizing the file already resolved in 2022, and the subsequent timely settlement.

Table 4.6 – composition of “loans and advances to customers” according to residual life

MATURITY	31/12/2022	31/12/2021
At sight	64.439.334	70.006.298
Up to 3 months	26.810.116	22.774.720
From over 3 months to 6 months	9.147.964	12.077.723
From over 6 months to 1 year	13.403.172	15.735.861
From over 1 year to 18 months	12.454.198	13.472.237
From over 18 months to 2 years	11.963.686	13.475.677
From over 2 years to 5 years	57.262.755	62.806.623
Over 5 years	100.332.585	90.494.479
Maturity not attributed	35.683.610	43.509.290
Total	331.497.420	344.352.908

The remaining life of loan positions, net of value adjustments, corresponds to the time interval between the balance sheet date and the contractual term of each transaction.



Table 4.7 – breakdown of “loans to customers” (net values) by business sector

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Amount	%
A) Public administrations	6.431.174	8.616.839	-2.185.665	-25,37%
B) Financial companies other than credit institutions	4.263.119	9.272.574	-5.009.455	-54,02%
• Monetary financial institutions	–	1.027.239	-1.027.239	100,00%
• Investment funds other than monetary market funds	257.652	873.644	-615.992	-70,51%
• Other financial institutions	4.003.829	7.301.116	-3.297.287	-45,16%
• Insurance companies	1.638	70.575	-68.937	-97,68%
• Pension funds	–	–	–	–
C) Non-financial companies	219.275.715	221.710.637	-2.434.922	-1,10%
of which Subjects canceled from the register of authorized subjects	35.597	173.011	-137.414	-79,43%
• Industry	96.337.880	97.049.880	-712.000	-0,73%
• Construction	12.335.304	18.045.848	-5.710.544	-31,64%
• Services	110.107.141	105.770.283	4.336.858	4,10%
• Other non-financial companies	495.390	844.626	-349.236	-41,35%
D) Families and non-profit institutions serving families	101.527.412	104.752.858	-3.225.446	-3,08%
• Consumer and producer families	96.379.660	104.210.652	-7.830.992	-7,51%
• Non-profit institutions serving families	5.147.752	542.206	4.605.546	849,41%
E) Other	–	–	–	–
Total	331.497.420	344.352.908	-12.855.488	-3,73%

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

DESCRIPTION	AGREED	USED	GUARANTEES GIVEN
Auditors	50.000	28.524	–
Board members	134.451	115.264	–
Total	184.451	143.788	–

It should be noted that the transactions carried out by the bank with related parties were concluded at normal market conditions, as per the controls carried out by the Internal Auditing Function, previously requested at the preliminary stage by the Credit unit and periodically monitored.

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	31/12/2022	
	Fixed assets	Non fixed assets
Bonds and other debt financial instruments:	150.341.147	41.078.792
a) Of public issuers	24.464.790	85.467
b) Credit institutions	38.505.608	30.530.593
c) Financial companies other than credit institutions	77.176.786	6.671.535
d) Other issuers	10.193.963	3.791.197
Shares stocks and other capital financial instruments	4.231.733	38.235.447
a) Scudo Loan Management	"	3.229.658
b) Fondo green arrow private debt fund (ex TCO)	4.231.733	–
c) Fondo Odisseo	"	10.263.674
e) Other Equity Securities	–	1.241.781
e) Other Funds	–	23.500.334
of which Unavailable for reverse repurchase agreements	74.657.969	–
Total	154.572.880	79.314.239

The securities in the investment portfolio are recorded at their purchase value or market price at the time of their transfer to the investment portfolio, with subsequent recognition of the accrued portions of the positive or negative spreads between the above value and the redemption value at maturity of the securities under “Bonds and other debt financial instruments.”

Trading securities are recorded at market value expressed by the monthly average of prices recorded in December 2022 under “Bonds and other debt financial instruments.”

The item “shares, units and other capital financial instruments” consists of, for investment securities:

- from the Green Arrow Private Debt Fund, assigned to us following the liquidation of the Tower Credit Opportunities PLC Fund on 31/12/2021. It should be noted that starting with the financial statements for the year ended as of 31/12/2021, according to the provision contained in CBSM Reg. 2022/01, amending Reg. 2016/02, the UCITS in the investment portfolio are valued at Net Asset Value (market value).

The item “shares, units and other capital financial instruments” is composed of, for securities not held as fixed assets:



- From the shares of the Loan Management fund deriving from the contribution of receivables from the compulsory 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 under Law no.169 of 11 October 2011. The market countervalue of the fund, available as of 31/12/2022, is €3,229,658; following the provision contained in Law no.223 of 23/12/2020 (art.7), which limited the maximum amount of the benefits of the above-mentioned decree, on a final basis, BAC recorded a capital loss of €113,533 in the profit and loss account in these financial statements; while the changes in the NAV recognized in the years prior to 31/12/2021 were converted into tax credits, reclassified under “Other assets”.
- From the Fondo Odisseo shares acquired in 2019, as a result of the sale of legal relations in block of Protected Collection and Employment of Banca Nazionale Sammarinese Spa (formerly Credito Industriale Sammarinese) subject to bank resolution pursuant to Law no.102 of 14 June 2019, which was finalized through two closings, the first of which was finalized on 16/09/2019, whereby BAC assumed 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) closed as of 31/12/2022, with a write-down of an additional 104,823 and an offsetting entry of a receivable from BNS Spa (now SGA Spa), pursuant to the dotting agreement signed at the time, given the regulatory change introduced by the aforementioned Law 227/2020; while the capital losses referring to the years 2019 and 2020 were recorded under “Other Assets” as a tax credit.
- It should be noted that, pursuant to the aforementioned Law 223/2020, the total tax credit resulting from the valuation of the two funds described above stood at €9,139,671 as of 31/12/2022.
- From units of Collective Investment Funds listed on regulated markets.
- From structured products, in view of the current interest rate scenario; these structured products represent an alternative to optimize and diversify the profitability of one's portfolios, with the opportunity to select financial instruments with specific characteristics (in terms of risk, maturity, underlyings, yield, etc.) that best suit one's risk/return profile.



Table 5.2 – breakdown of “investment financial instruments”

ITEMS / VALUES	31/12/2022			31/12/2021		
	Purchase price	Book value	Fair value	Purchase price	Book value	Fair value
1. Financial debt instruments	149.381.354	150.341.147	141.217.361	40.071.550	40.237.274	39.625.644
1.1 Bonds	149.381.354	150.341.147	141.217.361	40.071.550	40.237.274	39.625.644
• Listed	52.523.519	52.644.121	45.144.696	34.223.481	34.343.364	33.890.403
• Not listed	96.857.835	97.697.026	96.072.665	5.848.069	5.893.910	5.735.241
1.2 Other financial debt instruments	-	-	-	-	-	-
• Listed	-	-	-	-	-	-
• Not listed	-	-	-	-	-	-
2. Equity financial instruments	7.442.554	4.231.733	4.231.733	8.588.475	7.442.554	7.442.554
• Listed	-	-	-	-	-	-
• Not listed	7.442.554	4.231.733	4.231.733	8.588.475	7.442.554	7.442.554
Total	156.823.908	154.572.880	145.449.094	48.660.025	47.679.828	47.068.198

We specify that the differences recognized between the book value and the fair value are attributable, as to €1,205,203, to the recognition of the discard of fixed assets and accruals, as required by regulations and specified in the valuation criteria, and as to €7,918.583, to deviations from market prices recorded on institutional markets as a result of the persistent volatility of the markets on bonds; these deviations, since they refer to investments that by their nature will be brought to maturity, will be cancelled by the redemption value and therefore are not to be considered lasting losses in value.

Moreover, it is represented that the persistent climate of uncertainty and volatility following the outbreak of the Russian-Ukrainian conflict prompted the Supervisory Authority to take extraordinary measures aimed at granting the transfer of financial instruments from the free portfolio to the investment portfolio (see Prot.22/3413 dated 31/03/2022 – Prot.22/6395 dated 23/06/2022), the details of which are outlined below.

Table 5.3 – annual changes in investment financial instruments

DESCRIPTION	31/12/2022	31/12/2021
Opening balance	47.679.828	29.902.853
Increases	120.972.244	55.385.113
1. Purchases	90.174.000	54.312.034
of which Debt financial instruments	90.174.000	53.623.951
2. Value recoveries	–	–
3. Transfers from the investment portfolio	29.660.667	383.485
4. Other increases	1.137.577	689.594
Decreases	14.079.192	37.608.138
1. Sales	10.173.500	30.215.473
of which Debt financial instruments	10.173.500	30.215.473
2. Refunds	3.684.033	–
of which Debt financial instruments	550.000	–
3. Value adjustments	76.787	1.145.922
of which Lasting devaluations	76.787	1.145.922
4. Transfers to the investment portfolio	–	5.996.431
5. Other decreases	144.872	250.312
Closing balance	154.572.880	47.679.828

Increases include:

- the purchase of financial and government-issued bonds;
- collateralized notes, having, as underlying collateral, government securities;
- the transfer of a first tranche of securities included in the free portfolio, as stipulated by the provisions of the Supervisory Authority (Prot.22/3413 dated 31/03/2022 and later supplemented with Prot.22/5115 dated 17/05/2022), to cope with financial volatility following the outbreak of the Russian-Ukrainian conflict, based on the following criteria: for debt securities already in the portfolio as of 31/01/2022, the valuation was carried out at the market price on the same date;
- For securities purchased from 31/01/2022 to 31/03/2022, the valuation was carried out at the purchase price.

The Governing Body, therefore, on 04/13/2022, approved the transfer of securities with a total countervalue of €15,040,858 at the transfer valuation rules, and €15,081,495 at the carrying price as of the date of approval.

The transfer of these securities, accounted for with value date 13/04/2022, according to the valuation rules indicated by Prot.22/3413, generated a capital loss of €40,637 and a neutralization of capital losses of €436,123 detectable



at the date of transfer, calculated with the average of prices as of 13/04/2022 (13/03/2022–13/04/2022) according to the valuation principles adopted by the Bank.

Conversely, on the accrual situation closed by the bank as of 30/04/2022, immediately following this transfer, an identical capital loss of €40,637 was generated due to the transfer valuation rules, and a saving on the accrual situation, if we had not transferred them, of €1,262,890, due to the price fluctuation recorded until April 30.

- The transfer of a second tranche of securities, allowed by the Supervisory Authority with Prot.22/6395 dated 23/06/2022, under the conditions of the previous note Prot.22/3413 dated 31/03/2022, with the possibility of enforcing the accounting effects of the transfers on the Half-Year Financial Statements as of 30/06/2022.

By a resolution of 20 July 2022, the Board of Directors decided to transfer with value date of 30 June 2022 securities with a total nominal value of €13,136,300 for a countervalue of €14,301,102 at the transfer valuation rules, and €14,302,038 at the carrying price on the aforementioned date. The transfer of these securities, accounted for with a value date of 30 June 2022, according to the valuation rules indicated by Prot.22/3413, generated a capital loss of €936 and a neutralization of valuation losses of €486,196. All transferred securities were purchased after 31/01/2022; said transfer was made by valuing the securities at their purchase prices.

In addition, movements in the securities portfolio include the exchange of a Credit Linked Note, about which ample information was provided to the Supervisory Authority; the security, Call Warrant, delivered in the exchange transaction, was included in the investment portfolio, following the transfer from the non-investment portfolio, carried out in accordance with the provisions included in Prot. 22/3413 and Prot. 22/5115 mentioned above. The exchange transaction did not lead to impacts in terms of impairment in the profit and loss account but to a positive component of €42,700 detailed in Table 29.1: "Extraordinary income." The security delivered in the exchange transaction was also included in the investment portfolio, consistent with the provisions of the Framework Resolution taken by the Institution and in compliance with the limits and characteristics indicated in the Internal Regulations of Treasury Management Activities and CBSM Reg.2016/02.

Finally, a redemption was obtained in advance on the issuer's instruction of a security for €550,000, which generated an extraordinary charge of €14,016, again detailed in Table 29.1: "Extraordinary charges."

Lastly, it should be noted that in other changes, fixed asset scraps and accruals are noted where present.



Table 5.4 – breakdown of “trading financial instruments”

ITEMS / VALUES	31/12/2022	31/12/2021 proforma
	Fair value	Fair value
1. Financial debt instruments	41.078.792	40.545.620
1.1 Bonds	41.078.792	40.545.620
▪ Listed	2.467.692	40.545.620
▪ Not listed	38.611.100	–
1.2 Other financial debt instruments	–	–
▪ Listed	–	–
▪ Not listed	–	–
2. Equity financial instruments	38.235.447	22.446.394
▪ Listed	19.314.725	8.586.936
▪ Not listed	18.920.722	13.859.458
Total	79.314.239	62.992.014

The free portfolio was increased during the year by purchases in bonds, equities listed on regulated markets, as well as investment funds of leading issuers, certificates listed on regulated markets and structured products. Sales made were undertaken to enjoy opportunities for profit realization, while transfers to the fixed asset portfolio were made for the reasons already described.

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.

It should be noted that following the issuance of new provisions of the Supervisory Authority on the compilation of financial statement data, consequent to the entry into force of Miscellaneous 01/2023, “certificates” were reclassified from the item “Shares units and other equity instruments” to the item “bonds and debt securities”; as a result of this reclassification, the corresponding items present as of 31/12/2021 were updated by €14,987,090.



Table 5.5 – annual changes in “trading financial instruments”

DESCRIPTION	31/12/2022	31/12/2021 proforma
Opening balance	62.992.014	80.763.642
Increases	110.724.287	48.646.852
1. Purchases	108.794.785	41.843.610
of which Debt financial instruments	86.213.360	39.840.126
of which Equity financial instruments	22.581.425	2.003.484
2. Value recoveries and revaluations	1.450.285	117.708
3. Transfers from the investment portfolio	–	5.996.431
4. Other increases	479.217	689.103
Decreases	94.402.062	66.418.480
1. Sales and refunds	62.445.542	63.483.752
of which Debt financial instruments	57.031.883	49.475.872
of which Equity financial instruments	5.413.659	14.007.880
2. Value adjustments and write-downs	2.011.816	661.448
3. Transfers to the investment portfolio	29.660.667	383.485
4. Other decreases	284.037	1.889.795
Closing balance	79.314.239	62.992.014



6. Shareholdings (asset items: 70–80)

Table 6.1 – shareholdings and investments in group companies

DESCRIPTION	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)
A. Group companies											
Bac Trustee	S.p.a.	Via Tre Settembre, 316 – 47891 Dogana RSM	Non-financial company	100.000	340.654	156.859	100,00%	199.481	–	340.654	141.173
BAC Life	S.p.a.	Via Tre Settembre, 316 – 47891 Dogana RSM	Insurance activities	6.000.000	7.168.565	475.805	100,00%	6.740.340	–	7.168.565	428.225
Bac Real Estate	S.r.l.	Via Tre Settembre, 316 – 47891 Dogana RSM	Real estate trading activities	75.000	109.689	–305.311	100,00%	109.689	–	109.689	–
BAC Investments SG	S.p.a.	Via Tre Settembre, 316 – 47891 Dogana RSM	Other financial institutions	500.000	661.783	127.227	100,00%	547.279	–	661.783	114.504
San Marino Finanza e Previdenza	S.r.l.	Via Tre Settembre, 316 – 47891 Dogana RSM	Non-financial company	26.000	45.462	19.462	51,00%	23.186	–	23.186	–
B. Associated companies											
Società Servizi Informatici Sammarinese S.S.I.S	S.p.a.	Strada Cardio, 22 – 47899 Serravalle RSM	Automatic data processing services	500.000	575.502	–91.778	50,00%	287.752	–	287.752	–
Centro Servizi	S.r.l.	Via XXV Marzo, 58 – 47895 Domagnano RSM	Automatic data processing services	74.886	665.856	159.287	33,33%	333.333	–	221.178	–112.155
BKN301 Spa	S.p.a.	Via III Settembre, 99 – 47891 Dogana	Other financial institutions	4.062.868	8.914.825	–3.542.085	20,41%	916.931	–	1.819.516	902.585
NCO Immobiliare Srl	S.p.a.	Via III Settembre, 99 – 47891 Dogana	Services	2.123.088	148.127	–614.000	29,00%	21.750	–	42.957	21.207
C. Other investee companies											
Banca Centrale della Repubblica di San Marino	S.p.a.	Via del Voltone, 120 – 47890 San Marino RSM	Banking activities	12.911.425	57.610.190	–	5,00%	4.059.241	–	2.880.510	–1.178.731
Agenzia per lo Sviluppo Economico – Camera di Commercio	S.p.a.	Strada di Paderna, 2 – 47895 Domagnano RSM	Services	77.466	1.229.376	65.546	1,33%	1.033	–	16.351	15.318

It should be noted that the net equity valuations shown in the table above were made with the data of the respective companies as of 31/12/2022, for all companies with a holding percentage of 50% or more. It should be noted that the differences noted between the book value and the share of net equity of the equity investments of the companies: BAC Trustee Spa, BAC Life Spa and BAC Investments SG are attributable to the resolutions to distribute the



dividend to the Parent Bank, which will be accounted for in cash in the year 2023. While the differences noted on the shareholding: BAC Real Estate Srl, are due to the recognition of the loss for the year 2022 and consequent write-down recorded on the same year in the amount of €305,311 as it is considered a definitive loss of value.

Investee companies

The shareholding in San Marino Central Bank (previously San Marino Credit Institution) remained unchanged. It accounts for 5% of the share capital of the associate bank and is represented by 125 shares of € 5,164 each. In the balance sheet closed as of 31/12/2013, its monetary revaluation was made according to Finance Law no. 174 art. 75 of 20/12/2013. The value of the share recorded in the balance sheet after its revaluation corresponds to the results obtained by its recalculation using the shareholder's equity method on the basis of the Central Bank's assets included in the financial statements on the 31 December 2013. The credit balance of the revaluation was necessarily recorded in a revaluation equity reserve equal to € 3,004,030.

The percentage of ownership in S.S.I.S. Spa (Società Sistemi Informatici Sammarinese) is unchanged from last year and constitutes 50% of the subsidiary'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; a 2022 equity valuation was made for this equity investment. This resulted in a write-down of €45,969 for the 2022 loss for the year, as per the financial statements approved by the administrative body, and absorbed by the dedicated revaluation reserve, replenished in previous years.

The shareholding in the Agency for Economic Development – Chamber of Commerce S.p.a., represented by 4 shares out of 300 constituting the Share Capital for a percentage of 1.33%, remains unchanged.

Banca Agricola Commerciale also holds a 33.33% interest in Centro Servizi Srl. The main activity consists in the performance of IT activities, with particular reference to the production, development, maintenance and marketing of application software, management activities of services related to the use of electronic payment instruments and in the trading and rental of hardware; the Company also acts as the technology manager, on an exclusive basis, of the SMaC platform. With reference to the change between what is recorded in the financial statements and the corresponding share of Net Equity, no impairment losses are deemed to exist, as the company has systematically capitalized the profits earned in recent years.

In 2021, with the authorization of the Supervisory Authority Prot.21/4107 dated 12/04/2021, BAC acquired the entire stake held by Banca Nazionale Sammarinese S.p.A. in Istituto Sammarinese di pagamento T.P@Y Spa, amounting to 33.33% of the authorized party's share capital, for 150,000 shares, with a par value of €1.00 each. Also, during 2021, the participating banks resolved, when approving the 2020 budget, 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 amendments to the bylaws were subject to prior approval by the Central Bank. The capital increase,



which was subscribed and paid for by BAC in the amount of €1,500,000, is part of the more general development plan of BKN301 Spa prepared by the company's renewed management, which included, among other things, the entry into the corporate structure of the managers who oversaw the drafting and structuring of the plan, aimed at significant evolution and growth of the business. In June 2022, the company resolved a capital increase for a total of €15 million, of which €13.92 million was a share premium, reserved for foreign institutional investors, strongly interested in the project of expansion and development of the international online payments/capital transfers business, thanks to the implementation of a Banking/Payment-as-a-service strategy. Based on the existing agreements with the company's top management, BAC sold 2% of BKN301's share capital to a foreign investor. BAC's share of the share capital now stands at 20.41%, the economic result of which is to be framed in the aforementioned signed agreement.

The subsidiaries also include NCO Immobiliare Srl, which was established in 2022 together with other San Marino banks, as described in the section on customer receivables, aimed at protecting their respective claims against a common debtor.

Group shareholdings

In the year 2022, BAC Investments SG Spa, in its fifth year of operation, closed with a profit of €127,227, 90% of which was allocated to dividends, as per the financial statements approved by the Administrative Body. As a result, the Bank aligned the value of the investment with Net Equity, revalued it and entered the counterpart for the remaining 10% to the revaluation reserve.

There are seven Funds currently established and managed, belonging to the balanced category, with different risk-return profiles and varying percentages between the equity and bond component. They are open-ended mutual funds under San Marino law, the management regulations of which govern investment activities in a manner that complies with the provisions to Community Directive 85/611/EEC, as amended and supplemented, on the coordination of laws, regulations and administrative provisions relating to "Undertakings for the Collective Investment of Transferable Securities" (UCITS). BAC Investments SG's funds were also recognized by the Supervisory Authority as adhering to the European **"SFDR" (Sustainable Finance Disclosure Regulation)**, for Funds' investment policies responsibly oriented considering environmental, social and governance (ESG) risks and opportunities on behalf of subscribers; in fact, UCIs that implement policies to mitigate sustainability risks are favored in investment choices. This certification demonstrates the quality of BAC Investments SG Funds, equalizing them with the best European financial instruments.

BAC Trustee Spa, formerly Bac Fiduciaria Spa, on 27/07/2020 changed its corporate purpose, renouncing the related reserved activity, subject to CBSM's authorization granted with prot.20/6920 of 24/07/2020, assuming the name of BAC Trustee Spa and transferring en bloc to the Parent Bank all the activities related to the management of trust mandates, concluded



during 2021. The 2022 budget approved by the Governing Body provides for the distribution of 90% of the operating profit earned in 2022 to the sole shareholder BAC, amounting to €156,859; the Shareholding was thus aligned with the value of Net Equity (net of dividends).

For BAC Real Estate Srl, a write-down of €305,311 was made for the 2022 loss.

The shareholding in BAC Life Spa was also adjusted to the net equity of the subsidiary based on the results for 2022 financial year approved by the governing body; the proposed profit allocation provides for the distribution of 90% as a dividend to the sole shareholder BAC, which will be paid out in cash in 2023 in the amount of €428,225, with the remaining 10% set aside as a reserve.

Among the Group's holdings, in 2021, San Marino Finanza e Previdenza S.r.l., an insurance brokerage agency, was established as a joint venture with an insurance company based in Imola. The new reality acts in synergy with the Group's insurance company, BAC Life Spa, carrying out brokerage in the insurance and financial field. The company, 51% owned by BAC, as of 31/12/2022 has a fully paid-up share capital of €26,000 and a net income for the year of €19,462. Therefore, in these financial statements, the equity investment was aligned with the corresponding share of net equity in the amount of €9,926.

The following tables provide information on the aggregate movements inherent in the holdings held.



Table 6.2 – breakdown of item 70 “shareholdings”

ITEMS / VALUES	31/12/2022			31/12/2021		
	Purchase price	Book value	Fair value	Purchase price	Book value	Fair value
In credit institutions	645.571	4.059.241	–	645.571	4.059.241	–
• Listed	–	–	–	–	–	–
• Not listed	645.571	4.059.241	–	645.571	4.059.241	–
In other financial firms	916.931	916.931	–	989.628	989.628	–
• Listed	–	–	–	–	–	–
• Not listed	916.931	916.931	–	989.628	989.628	–
Others	606.113	643.868	–	584.363	668.087	–
• Listed	–	–	–	–	–	–
• Not listed	606.113	643.868	–	584.363	668.087	–
Total	2.168.615	5.620.040	–	2.219.562	5.716.956	–

Table 6.3 – breakdown and changes in item 80 “shareholdings in group companies”

ITEMS / VALUES	31/12/2022			31/12/2021		
	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	7.487.101	–	6.600.000	7.411.112	–
• Listed	–	–	–	–	–	–
• Not listed	6.600.000	7.487.101	–	6.600.000	7.411.112	–
Others	88.260	132.874	–	88.260	428.260	–
• Listed	–	–	–	–	–	–
• Not listed	88.260	132.874	–	88.260	428.260	–
Total	6.688.260	7.619.975	–	6.688.260	7.839.372	–



Table 6.4 – annual changes in item 70 “shareholdings”

DESCRIPTION	31/12/2022
A) Opening balance	5.716.956
B) Increases	21.750
B1. Purchases	21.750
B2. Value recoveries	-
B3. Revaluations	-
B4. Other increases	-
C) Decreases	118.666
C1. Sales	72.697
C2. Value adjustments	45.969
of which Lasting devaluations	45.969
C3. Other decreases	-
D) Closing balance	5.620.040
E) Total revaluations	-
F) Total adjustments	-

Table 6.5 – annual changes in item 80 “shareholdings in group companies”

DESCRIPTION	31/12/2022
A) Opening balance	7.839.372
B) Increases	85.914
B1. Purchases	-
B2. Value recoveries	-
B3. Revaluations	85.914
B4. Other increases	-
C) Decreases	305.311
C1. Sales	-
C2. Value adjustments	305.311
of which Lasting devaluations	-
C3. Other decreases	-
D) Closing balance	7.619.975

As explained above, item: “B3. Writebacks” includes the revaluations of the subsidiaries BAC Life Spa, BAC Investments SG Spa, BAC Trustee Spa and San Marino Finanza e Previdenza Srl, while item: “C.2 Value Adjustments” includes the aforementioned write-down of the equity investment BAC Real Estate Srl.

The tables below detail the changes in shareholdings that are part of the Banking group.



BAC Trustee Spa	31/12/2022	Profit allocation 2022	Resulting net equity
Share capital	100.000	-	100.000
Legal reserve	83.795	15.686	99.481
Other reserves	-	-	-
To shareholders	-	141.173	-
Profit for the year	156.859	-156.859	-
Total	340.654	-	199.481

Bac Life Spa	31/12/2022	Profit allocation 2022	Resulting net equity
Share capital	6.000.000	-	6.000.000
Legal reserve	605.964	47.581	653.545
Other reserves	86.796	-	86.796
To shareholders	-	428.225	-
Profit for the year	475.805	-475.805	-
Total	7.168.565	-	6.740.341

Bac Real Estate Srl	31/12/2022	Depreciation	Resulting net equity
Share capital	75.000	-	75.000
Legal reserve	-	-	-
Other reserves	340.000	-305.311	34.689
To shareholders	-	-	-
Profit for the year	-305.311	305.311	-
Total	109.689	-	109.689

San Marino Finanza e Previdenza Srl	31/12/2022	Profit allocation 2022	Resulting net equity	of which Bac
Share capital	26.000	-	26.000	13.260
Legal reserve	-	19.462	19.462	9.926
Other reserves	-	-	-	-
Profit for the year	19.462	-19.462	-	-
Total	45.462	-	45.462	23.186

Bac Investments SG Spa	31/12/2022	Profit allocation 2022	Resulting net equity
Share capital	500.000	-	500.000
Legal reserve	22.945	12.723	35.667
Other reserves	11.612	-	11.612
To shareholders	-	114.504	-
Profit for the year	127.227	-127.227	-
Total	661.783	-	547.279



Table 6.6 – assets and liabilities to investee companies (item 70)

DESCRIPTION	31/12/2022	31/12/2021
Assets	106.674.789	161.222.241
▪ Loans to credit institutions	103.078.488	159.554.195
of which Subordinates	–	–
of which Associated companies	–	–
of which Subordinates	–	–
▪ Loans to other financial companies	1.012.112	1.032.841
of which Subordinates	–	–
of which Associated companies	1.012.112	1.032.841
of which: Subordinates	–	–
▪ Loans to other companies	2.584.189	635.205
of which Subordinates	–	–
of which: Associated companies	2.584.189	635.205
of which Subordinates	–	–
▪ Bonds and other debt financial instruments	–	–
of which Subordinates	–	–
of which Associated companies	–	–
of which Subordinates	–	–
Liabilities	781.249	582.605
▪ Amounts due to credit institutions	–	–
of which Associated companies	–	–
▪ Amounts due to other companies	781.249	582.605
of which associated companies	664.912	466.290
▪ Payables represented by financial instruments	–	–
of which Associated companies	–	–
▪ Subordinate liabilities	–	–
of which Associated companies	–	–
Guarantees and commitments	–	–
▪ Guarantees given	–	–
▪ Commitments	–	–

Loans to banks, amounting to €103,078,488, are composed respectively of the correspondence account held with CBSM for €73,792,648, the ROB (Compulsory Reserve) escrow deposit for €23,944,766, the escrow deposit to the Depositors' Guarantee Fund for €212,903, for the contribution for the year 2022 and other deposits for €5.128,170, also established with the Supervisory Authority; the item "receivables from other financial companies, of which from associated companies," valued at €1,012,112, expresses receivables from the subsidiaries BKN301 Spa, of which €420,730 for intangible leases and €591,381 for foreign currency receivables. "Receivables from other



companies,” amounting to €2,584,189, include leasing contracts on real estate and capital tangible assets from the Company SSIS Spa for €572,036 and the respective current account balance for €18,873; as well as lending relationships with NCO Immobiliare Srl for €1,993,063, of which €502,537 for real estate leases. Liabilities include the balance of current accounts opened with the company BKN301 Spa for €426,925 and the balance of current accounts opened with the new subsidiary NCO Immobiliare Srl, as associated companies, as well as the balance of current accounts opened with the Chamber of Commerce Spa for €116,337.

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

DESCRIPTION	31/12/2022	31/12/2021
Assets	10.311.547	12.385.678
▪ Loans to credit institutions	–	–
of which Subordinates	–	–
▪ Loans to other financial companies	–	–
of which Subordinates	–	–
▪ Loans to other companies	10.311.547	12.385.678
of which Subordinates	–	–
▪ Bonds and other debt financial instruments	–	–
of which Subordinates	–	–
Liabilities	1.887.236	4.163.601
▪ Amounts due to credit institutions	–	–
▪ Amounts due to other companies	1.887.236	4.163.601
▪ Payables represented by financial instruments	–	–
▪ Subordinate liabilities	–	–
Guarantees and commitments	–	–
▪ Guarantees given	–	–
▪ Commitments	–	–

The item: “Loans to other companies” represents SAL leasing contracts entered into by Bac Real Estate Srl. The item: “Amounts due to other companies” consists of current account balances of BAC Life Spa for €1,043,672, BAC Investments SG Spa for €705,091, BAC Trustee Spa for €103,357 and San Marino Finanza e Previdenza Srl for €35,114.



7. Intangible fixed assets (asset item 90)

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

ANNUAL CHANGES	31/12/2022	Financial leasing	of which assets under construction	Assets awaiting lease termination	of which due to default by the tenant	Assets available from debt collection	of which assets available for credit extinction by means of a settlement agreement	Goodwill	Capital expenditure	Other intangible fixed assets
A. Opening balance	1.411.315	470.981	–	–	–	–	–	–	–	940.334
B. Increase	253.955	600	–	–	–	–	–	–	–	253.355
B1. Purchases	253.355	–	–	–	–	–	–	–	–	253.355
B2. Value recoveries	483	483	–	–	–	–	–	–	–	–
of which By creditworthiness	483	483	–	–	–	–	–	–	–	–
B3. Revaluations	–	–	–	–	–	–	–	–	–	–
B4. Other increases	117	117	–	–	–	–	–	–	–	–
C. Decreases	240.245	50.850	–	–	–	–	–	–	–	189.395
C1. Sales	–	–	–	–	–	–	–	–	–	–
C2. Value adjustments	240.156	50.761	–	–	–	–	–	–	–	189.395
of which Depreciation and amortization	240.156	50.761	–	–	–	–	–	–	–	189.395
of which Lasting devaluations	–	–	–	–	–	–	–	–	–	–
of which By creditworthiness	–	–	–	–	–	–	–	–	–	–
C3. Other decreases	89	89	–	–	–	–	–	–	–	–
D. Closing balance	1.425.025	420.731	–	–	–	–	–	–	–	1.004.294

Other intangible assets consist of the expenses of: software purchases, leasehold improvements, Studies, Research, Miscellaneous deferred costs, and Concessionary rights. Software is valued at cost, including all analysis, installation and training expenses. In addition, any fully amortized intangible assets are accounted for at zero by deducting both the asset value and the value of the related provision. Amortization rates have been calculated in relation to their remaining useful life.

The bank, in 2009, acquired from the Eccellentissima Camera of the Republic of San Marino the concessionary rights for the construction of an underpass for use by the institution for 30 years; therefore, the expenses incurred for the rights and construction works for its construction were recorded in a special item of intangible fixed assets to be amortized over the duration of the concession, as per the clarifications issued at the time by the San Marino Tax Authority.



GRANT HOLDERS' RIGHTS AND WORKS UNDER PASSAGE	2022	2021
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	–577.492	–535.678
of which depreciation charge for the year	41.813	–41.813
Closing balance	676.903	718.717

Table 7.2 – breakdown of item 90 “intangible fixed assets”

ITEMS / VALUES	31/12/2022			31/12/2021		
	Purchase price / Production cost	Book value	Fair Value	Purchase price / Production cost	Book value	Fair Value
A. Financial leasing	564.524	420.731	–	564.524	470.981	–
of which assets under construction	–	–	–	–	–	–
B. Assets awaiting lease termination	–	–	–	–	–	–
of which due to default by the tenant	–	–	–	–	–	–
C. Assets available from debt collection	–	–	–	–	–	–
of which assets available for credit extinction by means of a settlement agreement	–	–	–	–	–	–
D. Goodwill	–	–	–	–	–	–
E. Start-up costs	–	–	–	–	–	–
F. Other intangible fixed assets	2.065.448	1.004.294	–	1.812.093	940.334	–
Total	2.629.972	1.425.025	–	2.376.617	1.411.315	–



8. Tangible fixed assets (asset item 100)

Table 8.1 – movements and description of item 90 “tangible fixed assets”

ANNUAL CHANGES	31/12/2022	Financial leasing	of which assets under construction	Assets awaiting lease termination	of which due to default by the tenant	Assets available from debt collection	of which assets available for credit extinction by means of a settlement agreement	Lands and buildings	Other intangible fixed assets
A. Opening balance	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
B. Increase	20.631.912	15.171.798	4.794.343	405.588	405.588	4.602.739	4.602.739	16.713	435.074
B1. Purchases	17.257.757	13.141.225	4.764.537	–	–	3.681.458	3.681.458	–	435.074
B2. Value recovery	348.173	29.806	29.806	318.367	318.367	–	–	–	–
of which by creditworthiness	348.173	29.806	29.806	318.367	318.367	–	–	–	–
B3. Revaluations	–	–	–	–	–	–	–	–	–
B4. Other increases	3.025.982	2.000.767	–	87.221	87.221	921.281	921.281	16.713	–
C. Decreases	21.473.569	15.898.202	1.431.732	824.756	824.756	3.641.745	3.641.745	944.344	164.522
C1. Sales	2.745.344	668.752	441.011	554.884	554.884	1.521.708	1.521.708	–	–
C2. Value adjustments	15.259.755	14.149.729	–	–	–	1.160	1.160	944.344	164.522
of which depreciation and amortization	14.851.369	13.742.503	–	–	–	–	–	944.344	164.522
of which lasting devaluations	–	–	–	–	–	–	–	–	–
of which by creditworthiness	408.386	407.226	–	–	–	1.160	1.160	–	–
C3. Other decreases	3.468.470	1.079.721	990.721	269.872	269.872	2.118.877	2.118.877	–	–
D. Closing balance	164.009.127	58.013.312	14.006.957	2.192.829	2.192.829	77.031.407	77.031.407	26.229.750	541.829

Item “100 tangible fixed assets,” sub-item “Other tangible fixed assets,” includes: furniture, safes and fixtures, electronic machines and motor vehicles. Similarly, to intangible fixed assets, any tangible fixed assets that have been fully depreciated are also written off from the accounts by deducting both the value of the asset and the value of the related provision.

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

In the next table, the item “B. assets awaiting lease termination” includes fixed assets returned to full possession of the Bank following termination due to default of the tenants of the lease contracts. These amounts are also included in the table detailing loans and advances to customers, as required by the regulations on the preparation of financial statements (CBSM Regulation 2016/02). Item “C. of which assets available from credit recovery” includes real estate owned for €77,0311.407 and movable assets for €104, acquired, over the years, as a result of waiver agreements and write-offs of credit positions of insolvent customers classified as non-performing leases; these assets are not



instrumental to the operation of the business and therefore are not subject to depreciation; in order to optimize the management of these assets, the bank identified a dedicated Structure in the corporate organizational chart, called the Real Estate Function, which takes care of their maintenance, relocation and sale.

As already described in Table 4.3 – Situation of Cash Receivables from Customers, the Bank classified four secondary leasing transactions, similar in some respects to operating leases by relocating them to item 100: “c) of which assets available from credit recovery,” reversing them from item 100: “a) Finance Leases” for the outstanding debt and from item 130: “Other Assets for the countervalue of redemptions,” totaling €827,488.

These limited transactions, both in number and in amount, involved properties already in the bank’s possession as a result of previous settlement agreements reached with defaulting debtors; the Bank, with a view to encouraging the disposal of these properties, has set up these transactions with new counterparties interested in them, favoring atypical conditions compared to those found in customary financial leases, aimed at facilitating the disposal of these assets. Following intervening discussions with the Supervisory Authority in 2023, the Bank has made the above reclassification, as well as not carrying out any further transactions of this nature.

Table 8.2 – breakdown of item 100 “tangible fixed assets”

ITEMS / VALUES	31/12/2022			31/12/2021		
	Purchase price / production cost	Book value	Fair value	Purchase price / production cost	Book value	Fair value
Financial leasing	138.068.627	58.013.312	–	140.292.586	58.739.716	–
of which Assets under construction	15.952.565	14.006.957	–	12.619.760	10.644.346	–
Assets awaiting lease termination	4.570.491	2.192.828	–	7.958.229	2.611.997	–
of which Due to default by the tenant	4.570.491	2.192.828	–	7.958.229	2.611.997	–
Assets available from debt collection	–	77.031.407	–	–	76.070.413	–
of which Assets available for credit extinction by means of a settlement agreement	–	77.031.407	–	–	76.070.413	–
Lands and Buildings	116.891.922	26.229.751	–	40.671.290	27.157.381	–
Other tangible fixed assets	1.409.962	541.829	–	974.888	271.277	–
Total	260.941.002	164.009.127	–	189.896.993	164.850.784	–



Table 8.3 – assets acquired from credit recovery

ITEMS / VALUES	31/12/2022		31/12/2021	
	Book value	Fair value	Book value	Fair value
A. Assets acquired from credit recovery deriving from financial leasing contracts	66.519.371	-	69.702.085	-
A.1 Real estate	66.519.267	-	69.700.921	-
of which for residential use	9.992.254	-	11.122.753	-
of which for non-residential use	56.527.012	-	58.578.168	-
A.2 Movable property	104	-	1.164	-
of which vehicles	-	-	-	-
of which naval aircraft	-	-	-	-
of which other	104	-	1.164	-
B. Assets acquired from credit recovery deriving from other loan agreements	10.512.036	-	6.368.328	-
B.1 Real estate	10.512.036	-	6.368.328	-
of which for residential use	4.662.508	-	842.508	-
of which for non-residential use	5.849.529	-	5.525.820	-
B.2 Movable property	-	-	-	-
of which vehicles	-	-	-	-
of which naval aircraft	-	-	-	-
of which other	-	-	-	-
Total	77.031.407	-	76.070.413	-

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	Total 31/12/2022	of which leasing to credit institutions	of which Leasing to customers	Total 31/12/2021	of which Leasing to credit institutions	of which Leasing to customers
Leasing – Total	65.018.447	–	65.018.447	65.013.569	–	65.013.569
A. Of which for overdue fees	4.391.575	–	4.391.575	3.190.875	–	3.190.875
B. Of which Residual principal credit	60.626.872	–	60.626.872	61.822.694	–	61.822.694
B.1 Intangible fixed assets	–	–	–	–	–	–
▪ Financial leasing	420.731	–	420.731	470.981	–	470.981
▪ Assets awaiting lease termination	–	–	–	–	–	–
B.2 Tangible fixed assets	–	–	–	–	–	–
▪ Financial leasing	58.013.312	–	58.013.312	58.739.716	–	58.739.716
▪ Assets awaiting lease termination	2.192.829	–	2.192.829	2.611.997	–	2.611.997

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 31/12/2021	553	0,07%	14.378	14.378
Purchases	–	–	–	–
Sales	–	–	–	–
Values as of 31/12/2022	553	0,07%	14.378	14.378
				Profit / Loss
Profit / loss from trading on treasury shares during the year				–

Own shares are recorded at their par value of €26 each, with a total countervalue of €14,378.

11. Other assets (asset item 130)

Table 11.1 – breakdown of item 130 “other assets”

OTHER ASSETS	31/12/2022	31/12/2021
Guarantee margins	–	–
Premiums paid for options	–	–
Other activities	137.733.448	125.547.851
of which Various debtors	3.651.839	4.171.135
▪ Administrative expenses	334.709	840.031
▪ Interest, commission income and dividends, accrued and not paid-in	1.175.539	530.305
▪ Security deposits	2.280	602.280
▪ Coded customers	778.816	1.909.301
▪ ATM withdrawals suspense account	4.460	4.770
▪ Advances to Suppliers	26.309	10.311
▪ Transitional customer positions	1.025.573	274.137
▪ Future contribution of BAC Real Estate Srl share capital increase	304.154	–
of which Other	134.081.608	121.276.101
▪ Advances paid to the tax authorities for IGR for which compensation is requested	–	–
▪ RID management of commercial receipts	1.315.391	693.527
▪ Temporary tax differences of loan management fund shares decree law no. 174 dated 27/11/2011	–	7.550.186
▪ Technical accounts	2.286.602	1.583.409
▪ Correspondent bank bills	17.211.561	16.096.875
▪ Bills from s.b.f. customers	62.904.911	50.134.557
▪ Bills from customers s.b.f. cheques	6.076.915	4.095.711
▪ Customer bills after collection	3.469.708	3.377.807
▪ Suspense accounts – traveling consignments	2.416.971	2.161.067
▪ Loans from credito sammarinese	87.107	87.107
▪ Deferred tax assets	568.327	568.327
▪ Tax credit from credito sammarinese	9.139.671	429.829
▪ Credit to excellent chamber, state body interest share	410.979	270.498
▪ Security deposits	702.895	602.280
▪ Suspension of value adjustments Article 40 Law 173/2018	27.490.570	32.072.332
▪ Tax differences of odysseus fund shares decree Law no. 72 of 27/06/2013.	–	1.552.589
Total	137.733.448	125.547.851



“Other Assets” includes all assets not attributable to other asset items. It also includes any inventories of traveling and suspended items not allocated to the relevant accounts. The item “Tax Credit Law 227/2020,” valued at €9,139,671, includes the tax credit finally recognized by the Tax Office on 21/02/2022, net of utilizations, as well as pursuant to Law 227/2020, which established the maximum amount of tax benefits resulting from valuations at the NAV of 31/12/2020 of the Loan Management Fund and the Fondo Odisseo.

Lastly, the item: “Suspension of value adjustments pursuant to Article 40 Law 173/2018” corroborated in the amount of €27,490,570, represents the AQR adjustments still suspended, by virtue of the relevant law, for 6/10 of the initial amount.

More specifically, the items that can be traced back to tax items consist of the following items:

TAX CREDITS, DEFERRED TAX ASSETS, RELATED ACCOUNTING ITEMS	31/12/2022	31/12/2021
Accounting items related to specific decrees	9.139.671	9.532.604
▪ Tax credit Decree Law 174/2011	9.139.671	429.829
▪ Temporary tax differences of the Loan Management Fund units	–	7.550.186
▪ Tax differences of the Odisseo fund units Decree Law no. 72 of 27/06/2013	–	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	–	–
Advances paid to the tax authorities for IGR for which compensation is requested	–	–
Total	9.707.998	10.100.931

For the sake of clarity, we specify that the items “encoded Customers” and those attributable to bills from correspondent banks and customers entered under “Other Assets” find algebraic offsets with the items identified respectively under “Other Liabilities” in the items “Lease Fee 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	31/12/2022	31/12/2021
A) Accrued income	248.063	68.324
• On loans to customers	–	–
• On loans to banks	15.338	–
• Other accrued income	232.725	68.324
B) Prepaid expenses	158.616	178.611
• On rents payable	20.971	20.972
• On administrative expenses	137.645	157.639
Total	406.679	246.935

Relevant accruals are carried as adjustments to assets and liabilities in compliance with the provisions of CBSM Reg. 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	31/12/2022			31/12/2021			CHANGE	
	In euro	In foreign currency	Total	In euro	In foreign currency	Total	Amount	%
A) At sight:	904.205	870	905.075	1.227.214	819	1.228.033	-322.958	-26,30%
A1. Reciprocal accounts opened for services rendered	904.205	-	904.205	1.227.214	-	1.227.214	-323.009	-26,32%
A2. Free deposits	-	-	-	-	-	-	-	-
A3. Others	-	870	870	-	819	819	51	6,23%
B) At term or with notice	2.224.773	-	2.224.773	-	-	-	2.224.773	100,00%
B1. Passive current accounts	-	-	-	-	-	-	-	-
B2. Term deposits	2.224.773	-	2.224.773	-	-	-	2.224.773	100,00%
B3. Repurchasing agreements and passive carry-overs	-	-	-	-	-	-	-	-
B4. Other financing	-	-	-	-	-	-	-	-
Total	3.128.978	870	3.129.848	1.227.214	819	1.228.033	1.901.815	154,87%

Time deposits include amounts set up by a Credit Institution to guarantee mutual contractual obligations undertaken (mirrored in Item 30 of Assets are deposits set up by Bac with the same Credit Institution in the same amount).

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

MATURITY	31/12/2022	31/12/2021
At sight	905.075	1.228.033
Up to 3 months	1.260.000	-
From over 3 months to 6 months	-	-
From over 6 months to 1 year	-	-
From over 1 year to 18 months	964.773	-
From over 18 months to 2 years	-	-
From over 2 years to 5 years	-	-
Over 5 years	-	-
Maturity not attributed	-	-
Total	3.129.848	1.228.033



14. Due to customers (liability item 20)

Table 14.1 – details of item 20 “due to customers”

DESCRIPTION	31/12/2022			31/12/2021			CHANGE	
	In euro	In foreign currency	Total	In euro	In foreign currency	Total	Amount	%
A) At sight	494.212.978	8.014.690	502.227.668	458.929.093	9.547.309	468.476.402	33.751.266	7,20%
A1. Passive current accounts	492.199.630	8.014.690	500.214.320	456.370.219	9.547.309	465.917.528	34.296.792	7,36%
A2. Savings deposits	2.013.348	–	2.013.348	2.558.874	–	2.558.874	–545.526	–21,32%
A3. Others	–	–	–	–	–	–	–	–
B) Term or with notice	134.754.157	–	134.754.157	43.546.173	–	43.546.173	91.207.984	209,45%
B1. Term passive current accounts	–	–	–	–	–	–	–	–
B2. Restricted savings deposits	–	–	–	–	–	–	–	–
B3. Repurchase agreements and passive carry-overs	72.782.366	–	72.782.366	23.545.756	–	23.545.756	49.236.610	209,11%
B4. Other funds	61.971.791	–	61.971.791	20.000.417	–	20.000.417	41.971.374	209,85%
Total	628.967.135	8.014.690	636.981.825	502.475.266	9.547.309	512.022.575	124.959.250	24,41%

This table provides details of item 20 of liabilities. In reclassifying amounts due to customers, internal checks were excluded, recorded in “Other liabilities” in the amount of €571,736 in 2022, while in 2021 they amounted to €687,867. A combined reading of the tables above and below shows an important increase in customer deposits (+24.41%), which favored 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	31/12/2022	31/12/2021
At sight	502.227.668	468.476.402
Up to 3 months	59.607.041	1.844.579
From over 3 months to 6 months	60.863.921	32.601.033
From over 6 months to 1 year	14.283.195	9.100.561
From over 1 year to 18 months	–	–
From over 18 months to 2 years	–	–
From over 2 years to 5 years	–	–
Over 5 years	–	–
Maturity not attributed	–	–
Total	636.981.825	512.022.575

This table shows the amount of item 20 “due to customers,” as represented in Table 14.1, based on residual life.



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

Table 15.1 – breakdown of amounts represented by financial instruments

DESCRIPTION	31/12/2022			31/12/2021			CHANGE	
	In Euro	In foreign currency	Total	In Euro	In foreign currency	Total	Amount	%
Bonds	-	-	-	-	-	-	-	-
of which Held by credit institutions	-	-	-	-	-	-	-	-
Certificates of deposit	161.664.475	-	161.664.475	195.251.102	-	195.251.102	-33.586.627	-17,20%
of which Held by credit institutions	-	-	-	-	-	-	-	-
Other financial instruments	-	-	-	-	-	-	-	-
of which Negotiated acceptances	-	-	-	-	-	-	-	-
of which Outstanding bills	-	-	-	-	-	-	-	-
of which Atypical securities	-	-	-	-	-	-	-	-
Total	161.664.475	-	161.664.475	195.251.102	-	195.251.102	-33.586.627	-17,20%



16. Other liabilities (liabilities item: 40)

Table 16.1 – breakdown of item 40 “other liabilities”

DESCRIPTION	31/12/2022	31/12/2021
Guarantee margins	–	–
Awards received for options	–	–
Cheques in circulation and similar securities	571.736	687.867
Others:	101.934.261	86.145.622
of which various creditors	1.876.566	1.498.650
▪ Salaries / emoluments	1.820.466	1.441.845
▪ Items in the course of collection	9.550	10.755
▪ Security deposits	46.550	46.050
of which Other	100.057.695	84.646.972
▪ Transferring bills after collection	5.191.395	5.396.648
▪ Transferring bills subject to collection	87.871.282	72.253.238
▪ Regular matches	1.826.762	576.174
▪ Payable to the tax office for withholding tax made	422.973	501.948
▪ Payable to the tax office for various withholdings / taxes	1.342	629
▪ Suppliers to be liquidated	2.415.776	2.048.498
▪ Pledged funds	25.509	24.757
▪ Cash / ATM surpluses	9.909	7.875
▪ Incoming transfers / to be sent	19.282	80.865
▪ Italy / R.S.M. Utilities	348.031	654.631
▪ ATM / pos / card transactions	118.266	178.539
▪ Securities transactions	304.104	216.721
▪ Other items	565.705	638.410
▪ Credito sammarinese transferred customers	158.733	158.733
▪ Invoices issued for leasing fees	778.626	1.909.306
Total	102.505.997	86.833.489

As specified in the commentary on “Other Assets,” the items: “Leasing Fee Invoices” and “Transferring Bills,” find algebraic offsets with the items identified respectively under “Other Assets” under “encoded Customers” and “Bills from Banks and Customers.”



Table 16.2 – Amounts due for e money

DESCRIPTION	31/12/2022	31/12/2021
For nominative instruments	150.424	178.539
of which Rechargeable	137.424	154.303
of which Non-rechargeable	13.000	24.236
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	31/12/2022	31/12/2021
A) Accrued liabilities	339	715
A1. Accrued liabilities on derivative contracts	339	715
B) Deferred income	238.093	148.032
B1. Deferred income from foreign portfolio	2.204	2.103
B2. Deferred commission income unsecured loans	60.084	46.286
B3. Other deferred income	12.825	99.643
B4. Deferred income on rental income	162.980	–
Total	238.432	148.747

Pursuant to 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	31/12/2022	31/12/2021
Opening balance	516.480	522.895
Increases:	524.859	516.480
▪ Provisions	524.859	516.480
▪ Other increases	–	–
Decreases:	525.265	522.895
▪ Uses	525.265	522.895
▪ Other decreases	–	–
Closing balance	516.074	516.480

Severance, as required by current regulations, is paid annually to employees. Therefore, the balance corresponds to the portion for the year 2022.

Table 18.2 – breakdown of item 70 “provisions for risks and charges”

COMPOSITION	31/12/2022	31/12/2021
Pension funds and similar obligations	–	–
Taxes and fees fund	13.803	13.803
Other funds	692.208	997.091
▪ Claims and revocation fund	281.606	607.048
▪ Contractual increase fund	168.298	168.298
▪ Charity fund	4.955	9.455
▪ Unused holiday fund	237.349	212.290
Total	706.011	1.010.894

For the year under review, no provision was made to the Provision for Taxes and Fees because, according to current tax regulations, BAC will not have to recognize income taxes. As a reminder, from the 2019 financial year, the regulations on provisions exceeding 5% of total Loans to customers were revised by Law No. 154 of 3 October 2019. The regulatory change that occurred provided for the possibility of deducting the previously taxed excess on a straight-line basis over five years and taking any loss generated by deductions as a deduction.

While there are no disputes with the San Marino tax authorities, in December 2019 an assessment was opened by the Italian Revenue Agency (ADE for

short) 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 acceded to the assessment for that year and paid by the due date of 31/07/2020 the amount claimed by the Internal Revenue Service by way of taxes and obliterated penalty, accounting the disbursement in the 2020 profit and loss account under Indirect Taxes and Withholdings. Having filed the year 2013, the ADE continued the assessment on the years 2014 to 2017 inclusive, in relation to the pleadings already filed; BAC adhered to the assessment with installment payments on the amounts already crystallized by the Internal Revenue Service, charged to 2022 profit and loss account. The installment payments during 2022 were recorded in the profit and loss account under indirect taxes. Conversely, the Bank, following the entry into force of the Double Taxation Convention in 2013, had a receivable from the Internal Revenue Service for a request for reimbursement of withholding taxes on Italian securities; during 2021, a tranche of this receivable amounting to €233,884 was ultimately reimbursed after a lengthy dispute; the last tranche of €108,788 was credited in the first half of 2022 and was charged to contingent assets.

Table 18.3 – movement of the “tax reserves and duties”

DESCRIPTION	31/12/2022	31/12/2021
Opening balance	13.803	13.803
Increases:	–	–
▪ Provisions	–	–
▪ Other increases	–	–
Decreases:	–	–
▪ Uses	–	–
▪ Other decreases	–	–
Closing balance	13.803	13.803

Table 18.4 – movements of sub-item c) “other provisions”

EMPLOYEES CONTRACTUAL INCREASE FUND	31/12/2022	31/12/2021
Opening balance	168.298	168.298
Increases:	–	–
▪ Provisions	–	–
▪ Other increases	–	–
Decreases:	–	–
▪ Uses	–	–
▪ Other decreases	–	–
Closing balance	168.298	168.298

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

UNUSED HOLIDAY FUND	31/12/2022	31/12/2021
Opening balance	212.290	181.222
Increases:	25.059	31.068
▪ Provisions	25.059	31.068
▪ Other increases	–	–
Decreases:	–	–
▪ Uses	–	–
▪ Other decreases	–	–
Closing balance	237.349	212.290

CHARITY FUND	31/12/2022	31/12/2021
Opening balance	9.455	13.155
Increases:	–	–
▪ Provisions	–	–
▪ Other increases	–	–
Decreases:	4.500	3.700
▪ Uses	4.500	3.700
▪ Other decreases	–	–
Closing balance	4.955	9.455



CLAIMS AND REVOCATION FUND	31/12/2022	31/12/2021
Opening balance	607.048	556.000
Increases:	93.940	70.225
▪ Provisions	90.000	70.225
▪ Other increases	3.940	–
Decreases:	419.382	19.177
▪ Uses	419.382	19.177
▪ Other decreases	–	–
Closing balance	281.606	607.048

For the current year, it was deemed necessary to replenish the above-detailed fund by €90,000 for increases in expected losses on pending litigation. It was also used in the amount of €419,382 following the closure and settlement of lawsuits during the year.

Table 18.5 – movements of item 80 “provisions for risks on credits”

DESCRIPTION	31/12/2022	31/12/2021
Opening balance	–	–
Increases:	600.000	605.000
▪ Provisions	600.000	–
▪ Other increases	–	605.000
Decreases:	–	605.000
▪ Uses	–	–
▪ Other decreases	–	605.000
Closing balance	600.000	–

The bank in 2022 prudently considered to make a non-adjustment provision for credit risk on assets in the amount of €600,000 in anticipation of the entry into force of the so-called Calendar Provisioning, as well as the new taxonomy of credit exposures, harmonized to those in force in the EU (EU Reg. 575/2013 (CRR), EU Del. Reg. 2018/171, EU Reg. 2021/451).



19. Provision for General financial risks, Subordinated liabilities, subscribed capital, share premium, Reserves, Revaluation reserve, retained earnings (losses) carried forward and Profit (loss) for the year (liability items: 90 – 100 – 110 – 120 – 130 – 140 – 150 – 160)

Table 19.1 – breakdown of item 90 “provisions for general financial risks”

Data not present.

Table 19.2 – breakdown of item 100 “subordinate liabilities”

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Amount	%
Subordinated liabilities	2.400.988	2.400.988	–	–
of which Held by credit institutions	–	–	–	–
of which Hybrid capitalization instruments	–	–	–	–

BAC issued, effective 1/12/2020, a subordinated loan with a maturity of five years, 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	31/12/2022			31/12/2021			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	–	–
Total	803.080	26	20.880.080	803.080	26	20.880.080	–	–

There are no convertible bonds, warrants, options, securities or similar rights.

Table 19.4 – breakdown of item 120 “share premium reserves”

Data not present.



Table 19.5 – breakdown of item 130 “reserves”

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Amount	%
a) Ordinary or legal reserve	46.726.154	49.248.958	-2.522.804	-5,12%
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	-	-
Total	46.867.144	49.389.948	-2.522.804	-5,11%

The “ordinary reserve” includes the “tax suspension reserve” established as a result of the reverse spin-off of Istituto Bancario Sammarinese in 2012, in application of the law involving the tax deduction for increases in equity, established by Delegated Decree No. 172 of 26 October 2010, subsequently amended by Article 74 Law No. 166 of 16 December 2013. 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 seen from doctrine, from what is pointed out in Article 14 Decree Law No. 172 of 26 October 2010, and from current legislation on corporate demergers (Article 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 merged into BAC’s ordinary reserve through the merger surplus generated. In effect, “unavailable” reserves were transferred to (and not distributed to) the beneficiary. It should be noted that the “unavailable” charge is still present in the beneficiary BAC; in fact, no reserves have been distributed since the demerger until now, and the table above shows this. The change in the ordinary reserve can be attributed to the absorption of the 2021 loss for a total of €2,522,805, while the item “d) Other reserves” increased by €126,613, includes 80% of the 2020 profit, to be used as a Non-Distributable Reserve Fund, which can be used for future capital increase, as indicated at the time by the Supervisory Authority (with Prot.20/13417 of 22/12/2020) following the transfer of securities from the investment portfolio to the free portfolio, carried out in the 2020 and 2021 financial years.



Table 19.6 – composizione della voce 140 “riserva di rivalutazione”

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Amount	%
Revaluation reserve	18.116.756	18.076.812	39.944	0,22%

The revaluation reserves underwent an overall positive change at the end of 2022, due to the revaluation under net equity of the subsidiaries: BAC Life Spa, BAC Investments SG Spa, BAC Trustee Spa and San Marino Finanza e Previdenza Srl, which is offset in algebraic balance by the absorption of the reserve for the write-down of the investment in SSIS Spa, following the 2022 financial year loss, as better explained in the section on Shareholdings.

Table 19.7 – breakdown of item 150 “retained earnings (losses)”

Data not present.

The 2021 financial year loss was absorbed through the use of the ordinary reserve.

Table 19.8 – breakdown of item 160 “net income (loss) for the period”

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Amount	%
Profit (loss) for the year	1.051.178	-2.522.804	3.573.982	-141,67%
Total	1.051.178	-2.522.804	3.573.982	-141,67%

	31/12/2022	31/12/2021
Profit (loss) for the year / Total assets ratio	0,11%	-0,28%

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

DESCRIPTION	Subscribed capital	Subscribed and unpaid capital	Share premium	Ordinary or legal reserve	Other reserves	Result for the year	Profits/ losses carried forward	General financial risks	Revaluation reserve	Total
Balance as of 31/12/2019	20.880.080	–	–	54.595.023	14.378	-1.656.680	-3.721.039	–	14.835.485	84.947.247
Balance as of 31/12/2020	20.880.080	–	–	50.873.984	14.378	158.266	-1.656.680	–	18.061.042	88.331.070
Balance as of 31/12/2021	20.880.080	–	–	49.248.958	140.990	-2.522.804	–	–	18.076.812	85.824.036
Balance as of 31/12/2022	20.880.080	–	–	46.726.154	140.990	1.051.178	–	–	18.116.756	86.915.158



Table 19.10 – breakdown of public savings collection by business sector

DESCRIPTION	31/12/2022	31/12/2021 proforma	CHANGE	
			Amount	%
A) Public Administrations	135.589.719	46.506.755	89.082.964	191,55%
B) Financial companies other than credit institutions	33.299.640	54.888.476	-21.588.836	-39,33%
▪ Monetary financial institutions (excluding credit institutions)	-	-	-	-
▪ Investment funds other than money market funds	-	-	-	-
▪ Other financial institutions	13.162.270	23.720.200	-10.557.930	-44,51%
▪ Insurance companies	20.137.370	31.168.276	-11.030.906	-35,39%
▪ Pension funds	-	-	-	-
C) Non-financial companies	162.919.690	134.564.912	28.354.778	21,07%
of which subjects deleted from the register of authorized subjects	838.565	972.342	-133.777	13,76%
▪ Industry	80.808.858	60.863.714	19.945.144	32,77%
▪ Construction	2.631.973	2.281.853	350.120	15,34%
▪ Services	77.797.108	69.904.262	7.892.846	11,29%
▪ Other non-financial companies	1.681.751	1.515.083	166.668	11,00%
D) Families and non-profit institutions serving families	467.192.084	471.719.195	-4.527.111	-0,96%
▪ Consumer and producer families	457.978.605	461.013.860	-3.035.255	-0,66%
▪ Non-profit institutions serving families	9.213.479	10.705.335	-1.491.856	-13,94%
E) Others	2.617.891	2.683.194	-65.303	-2,43%
Total	801.619.024	710.362.532	91.256.492	12,85%

As shown in the table above, the concentration of funds raised is mainly in the retail segment; the continued increase in funds raised (+12.85%) 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	31/12/2022	31/12/2021 proforma*	CHANGE	
			Amount	%
A) Unsecured loans of a commercial nature	9.049.843	7.576.859	1.472.984	19,44%
B) Unsecured loans of a financial nature	693.300	615.500	77.800	12,64%
C) Assets pledged as collateral	8.134.773	7.243.281	891.492	12,31%
▪ of third party bonds	–	1.333.281	–1.333.281	–100,00%
▪ of own bonds	8.134.773	5.910.000	2.224.773	37,64%
Total	17.877.916	15.435.640	2.442.276	15,82%

* Assets pledged as collateral for own bonds were also prudently extracted for 2021, consistent with what was expressed in the corresponding item in 2022 for comparability purposes.

Guarantees given were classified according to economic purpose, into:

- 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 as collateral for own bonds. They are lent not against a debt already incurred but against the possibility of the debt emerging.



Table 20.2 – breakdown of unsecured loans

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Amount	%
A) Unsecured loans of a commercial nature	9.049.843	7.576.859	1.472.984	19,44%
A.1 Acceptances	–	48.948	–48.948	–100,00%
A.2 Guarantees and endorsements	9.049.843	7.527.911	1.521.932	20,22%
A.3 Strong patronage	–	–	–	–
A.4 Others	–	–	–	–
B) Unsecured loans of a financial nature	693.300	615.500	77.800	12,64%
B.1 Acceptances	–	–	–	–
B.2 Guarantees and endorsements	693.300	615.500	77.800	12,64%
B.3 Strong patronage	–	–	–	–
B.4 Other	–	–	–	–
Total	9.743.143	8.192.359	1.550.784	18,93%

Table 20.3 – situation of unsecured loans to credit institutions

Data not present.

Table 20.4 – situation of unsecured loans to customers

CATEGORIES / VALUES	31/12/2022			31/12/2021		
	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	113.800	–	113.800
of which Restructured loans	–	–	–	–	–	–
of which Past due/overdue loans	–	–	–	–	–	–
of which Unsecured loans to "at risk" countries	–	–	–	–	–	–
B) Performing loans	9.629.343	–	9.629.343	8.078.559	–	8.078.559
Total	9.743.143	–	9.743.143	8.192.359	–	8.192.359

Table 20.5 – assets used as collaterals to own debts

Data not present.



Table 20.6 – margins available on credit lines

Data not present.

Table 20.7 – breakdown of “spot commitments”

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Amount	%
A) Commitments to disburse funds for certain use	-	-	-	-
of which Financing commitments to be disbursed	-	-	-	-
B) Commitments to exchange financial instruments for certain use	-	-	-	-
C) Commitments to disburse funds for uncertain use	7.151.029	2.170.497	4.980.532	229,47%
of which Passive margins usable on credit lines	7.151.029	2.170.497	4.980.532	229,47%
of which Put options issued	-	-	-	-
D) Commitments to exchange financial instruments of uncertain use	-	-	-	-
E) Other commitments	212.623	-	212.623	100,00%
Total	7.363.652	2.170.497	5.193.155	239,26%

Commitments with certain use are represented by commitments to disburse funds whose use by the applicant is not optional. These are commitments originated from contracts that are binding on both the lending bank and the applicant. This category includes purchases of securities that have not yet been settled, as well as deposits and loans to be disbursed at a predetermined future date.

Commitments of uncertain use are represented by commitments to disburse funds whose use by the applicant is optional. Therefore, it is uncertain whether and to what extent the actual disbursement of funds will be realized. Commitments made, for example, as part of securities placement activities fall into this category.

The method of accounting for off-balance sheet transactions, as provided for in CBSM Regulation No. 2016-02 on the Preparation of Financial Statements of Authorized Entities, stipulates that forward purchase and sale contracts of financial instruments and currencies not yet settled, derivative contracts on securities and currencies, derivative contracts without an underlying security linked to interest rates, indices or other assets, deposits and loans entered into and to be disbursed or received at a predetermined future spot or forward date must be reclassified into forward commitments. Contracts involving the exchange of two currencies (or the exchange rate differential between two currencies) should be disclosed only once by referring by convention to the currency to be purchased. In addition, interest rate derivative contracts are conventionally classified as either purchases or sales depending on whether they involve the bank buying or selling the fixed rate. Finally, derivative contracts that involve the forward exchange of principal are valued at the settlement price of the contracts while those that do not involve such an exchange at the nominal value of the reference principal.



Item: "And other commitments" includes the commitment for contribution to the Depositors' Guarantee Fund accrual 2022 for €212,623.

Table 20.8 – term commitments

CATEGORY OF TRANSACTIONS	Hedging	Trading	Other transactions
1) Trading	11.915.665	-	1.038.358
1.1 Financial instruments	-	-	1.038.358
▪ Purchases	-	-	1.038.358
▪ Sales	-	-	-
1.2 Foreign currencies	11.915.665	-	-
▪ Foreign currencies against foreign currencies	-	-	-
▪ Purchases against euro	11.915.665	-	-
▪ Sales against euro	-	-	-
2) Deposits and financing	-	-	-
▪ To be paid	-	-	-
▪ To be received	-	-	-
3) Derivative contracts	130.506	-	-
3.1 With exchange of capital	-	-	-
a) Securities	-	-	-
▪ Purchases	-	-	-
▪ Sales	-	-	-
b) foreign currencies	-	-	-
▪ Foreign currencies against foreign currencies	-	-	-
▪ Purchases against euro	-	-	-
▪ Sales against euro	-	-	-
b) Other values	-	-	-
▪ Purchases	-	-	-
▪ Sales	-	-	-
3.2 Without capital exchange	130.506	-	-
a) Foreign currencies	-	-	-
▪ Foreign currencies against foreign currencies	-	-	-
▪ Purchases against euro	-	-	-
▪ Sales against euro	-	-	-
b) Other values	130.506	-	-
▪ Purchases	130.506	-	-
▪ 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 rate 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 be reported only among contracts on currencies.

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 highlight that the 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 scheduled to expire in 2023 for €130,506.

Item 1.1 "Financial instruments – purchases" shows the eventual commitment to repurchase BKN301 Spa shares by managers under the agreement signed on 06/12/2021 for €517,500, as well as the commitment to subscribe to the last tranches of the Green Arrow Fund for €520,857, to be repaid from 01/09/2027; item 1.2 "Currency purchases against euro" shows the countervalue of transactions to be settled on currencies with customers with conventionally two-day maturity.



Table 20.9 – financial derivatives

CATEGORY OF TRANSACTIONS	Hedging	Trading	Other transactions
A) Derivative contracts	-806	-	-
A.1 With exchange of capital		-	-
a) Securities		-	-
▪ Purchases		-	-
▪ Sales		-	-
b) foreign currencies		-	-
▪ Foreign currencies against foreign currencies		-	-
▪ Purchases against euro		-	-
▪ Sales against euro		-	-
c) Other values		-	-
▪ Purchases		-	-
▪ Sales		-	-
A.2 Without exchange of capital	-806	-	-
a) foreign currencies		-	-
▪ Foreign currencies against foreign currencies		-	-
▪ Purchases against euro		-	-
▪ Sales against euro		-	-
b) Other values	-806	-	-
▪ Purchases	-806	-	-
▪ Sales	-	-	-

This table shows the same items and sub-items related to derivative contracts as the previous table, valued at market. Since this is an unlisted derivative, the fair value was determined by the counterparty according to the method specified 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	31/12/2022	31/12/2021
1) Asset management	6.792.876	9.226.482
a) Customer asset management	6.792.876	9.226.482
of which Liquidity	3.567.527	3.972.553
of which Liquidity deposited with the reporting institution	3.567.527	3.972.553
of which Debt securities	–	841.946
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	3.225.349	4.411.983
of which Equity securities issued by the reporting entity	–	–
b) Own portfolios managed by third parties	–	–
2) Custodia e amministrazione di strumenti finanziari	753.353.814	669.238.651
a) Third party financial instruments on deposit	528.775.603	558.087.625
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	–	–
of which Equity securities and other securities issued by the reporting entity	79.897.210	88.218.139
of which Securities third-party financial instruments deposited with third parties	353.411.386	332.391.040
b) Proprietary financial instruments deposited with third parties	224.578.211	111.151.026
3) Financial instruments, liquidity and other values related to the activity of depository bank	112.014.219	135.544.162
a) Liquidity	4.109.340	7.626.467
of which Liquidity deposited with the reporting institution	4.109.340	7.626.467
b) Debt securities	7.877.709	–
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	100.027.170	127.917.695
of which Equity securities issued by the reporting entity	–	–
d) Other assets other than financial instruments and liquidity	–	–



In the memorandum accounts table, financial instruments are allocated back to the relevant items, which are alternative to each other, on the basis of the contracts signed with customers, asset management, custody and administration, and custodian bank agreement, respectively.

The mentioned financial instruments are recorded in the memorandum accounts at market value. It should be noted that, following the authorization to operate at the time issued by the Supervisory Authority, the Subsidiary BAC Investments SG Spa, established in the first months of the year 2018, proceeds with the distribution and sale of Funds of its own issue through the commercial network of the Parent Bank BAC, which also acts as its custodian, for €112,014,219, as evidenced in the section “Financial instruments, liquidity and other assets related to the activity of custodian bank.” It should also be noted that the figures shown in the above section, represent an “of which”, included in the Securities Custody and Administration aggregate.

Table 21.2 – intermediation for outsourcers: execution of memorandums

ITEMS	31/12/2022	31/12/2021
Purchases	268.253.497	250.554.969
of which Purchases not settled as of the reporting date	–	–
Sales	245.166.714	237.323.887
of which Sales not settled as of the reporting date	–	–



Table 21.3 – breakdown of indirect deposits by business sector

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Absolute	%
A) Public administrations	9.633.860	5.349.800	4.284.060	80,08%
B) Financial companies	327.026.669	371.770.788	-44.744.119	-12,04%
▪ Monetary financial institutions	-	-	-	-
▪ Investment funds other than money market funds	-	-	-	-
▪ Other financial institutions	135.345.515	176.509.657	-41.164.142	-23,32%
▪ Insurance companies	191.681.155	195.261.131	-3.579.976	-1,83%
▪ Pension funds	-	-	-	-
C) Non-financial companies	81.078.009	92.724.234	-11.646.225	-12,56%
of which Subjects deleted from the register of authorized subjects	-	-	-	-
▪ Industry	5.202.867	15.322.391	-10.119.524	-66,04%
▪ Construction	1.883.211	1.925.530	-42.319	-2,20%
▪ Services	18.446.228	18.308.241	137.987	0,75%
▪ Other non-financial companies	55.545.702	57.168.072	-1.622.370	-2,84%
D) Families and non-profit institutions serving families	219.535.992	218.716.274	819.718	0,37%
▪ Consumer and manufacturer families	214.864.293	216.336.307	-1.472.014	-0,68%
▪ Non-profit institutions serving families	4.671.700	2.379.967	2.291.733	96,29%
E) Others	236.300	303.153	-66.853	-22,05%
Total	637.510.831	688.864.249	-51.353.418	-7,45%



Table 21.4 – trust activity

DESCRIPTION	31/12/2022	31/12/2021
1. Movable assets	14.506.048	17.414.639
1.1. Financial instruments	11.073.708	14.765.494
1.2. Cash	3.432.340	2.649.145
2. Shareholdings	9.178.296	15.341.193
2.1. Units or shares in joint-stock companies	7.817.474	12.303.506
2.2. Shareholder Financing	1.309.884	2.993.650
2.3. Cash	50.938	44.037
3. Financing to third parties	2.478.707	2.478.707
3.1. Financing	2.478.707	2.478.707
3.2. Cash	–	–
4. Other movable or intangible assets	–	–
4.1. Movable or intangible assets	–	–
4.2. Cash	–	–
5. Total fiduciary assets	26.163.051	35.234.539
5.1. of which total cash	3.483.278	2.693.182

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 relinquishment of the related reserved activity, transferred all activities related to the management of trust mandates en bloc to the parent bank BAC, effective 01/01/2020.

Tabel 21.5 – assets held in the exercise of trustee function

Data not present.



PART C – Information on the Profit and Loss Account

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

Table 22.1 – breakdown of item 10 “interest income and similar revenues”

DESCRIPTION	31/12/2022	31/12/2021 proforma	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	253.468	–132.267	385.735	–291,63%
B1. Active current accounts	162.473	–132.267	294.740	–222,84%
B2. Deposits	90.995	–	90.995	100,00%
B3. Other financing	–	–	–	–
of which On leasing transactions	–	–	–	–
C) Loans to customers	10.099.198	10.670.992	–571.794	–5,36%
C1. Active current accounts	2.158.581	2.346.082	–187.501	–7,99%
C2. Deposits	–	–	–	–
C3. Other financing	7.940.617	8.324.910	–384.293	–4,62%
of which On leasing transactions	2.112.674	2.430.127	–317.453	–13,06%
D) On debt securities issued by credit institutions	740.205	–	740.205	100,00%
D1. Certificates of deposit	–	–	–	–
D2. Bonds	740.205	–	740.205	100,00%
D3. Other financial instruments	–	–	–	100,00%
E) On debt securities from customers (issued by other issuers)	3.315.247	1.928.828	1.386.419	71,88%
E1. Bonds	2.927.043	1.008.828	1.918.215	190,14%
E2. Other financial instruments	388.205	920.000	–531.795	–57,80%
Total	14.408.118	12.467.553	1.940.565	15,56%

Interest, revenues and similar charges related to loans and financial instruments, including the balance of interest on arrears accrued during the year and the value adjustment corresponding to the portion deemed unrecoverable, are entered under these items on an accrual basis.

The table shows an increase in interest income of 15.56%, attributable to the expansion and re-composition of investments in financial instruments in



the proprietary securities portfolio, as well as to an increase in yields on the interbank market due to the upward dynamics of interest rates that occurred in the last months of the year. The increase in reference rates also benefited loans to customers characterized by indexed rates, with important recoveries in profitability after the long period of euribor rates in negative territory (euribor 3m/360 31/12/2022 eop 2.13% vs euribor 3m/360 31/12/2021 eop -0.57%).

As already explained in Table 5.4: details of “financial instruments not held as fixed assets,” the Bank, following the issuance of new provisions of the Supervisory Authority on the compilation of balance sheet data, consequent to the entry into force of Miscellaneous 01/2023, reclassified “certificates” from the item “Shares units and other equity instruments” to the item “bonds and debt securities”; as a result of this reclassification, the corresponding items present as of 31/12/2021 were updated, for €14,987,090. Consequently, the related income was also transferred from item 30 “dividends and other income on shares, units and other equity instruments” to item 10 “interest income and similar income on debt securities,” for €920,000.

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

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Amount	%
A) On amounts due to credit institutions	10.441	5.027	5.414	107,70%
A1. Passive current accounts	10.441	5.019	5.422	108,03%
A2. Deposits	–	8	–8	–100,00%
A3. Other debts	–	–	–	–
B) On amounts due to customers	710.606	664.275	46.331	6,97%
B1. Passive current accounts	402.817	484.005	–81.188	–16,77%
B2. Deposits	98.092	50.316	47.776	94,95%
B3. Other debts	209.697	129.954	79.743	61,36%
C) On debts represented by financial instruments towards credit institutions	–	–	–	–
of which On certificates of deposit	–	–	–	–
D) On debts represented by financial instruments towards customers	1.635.643	2.051.502	–415.859	–20,27%
of which On certificates of deposit	1.635.643	2.051.502	–415.859	–20,27%
E) On subordinated liabilities	71.850	71.850	–	–
of which On hybrid instruments of capitalization	–	–	–	–
Total	2.428.540	2.792.654	–364.114	–13,04%

The increase in interest income was matched by, a contraction in interest expense, attributable to a more efficient management of funding rates; the important result achieved was made possible by the different dynamics present on the items of onerous liabilities, albeit in the presence of an increase in direct deposits.



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

Tabel 23.1 – breakdown of item 40 “dividends and other revenues”

DESCRIPTION	31/12/2022	31/12/2021 proforma	CHANGE	
			Amount	%
A) On shares, stocks and other capital instruments	601.274	–	601.274	100,00%
B) On shareholdings	–	–	–	–
C) On shareholdings in group companies	927.284	574.642	352.642	61,37%
Total	1.528.558	574.642	953.916	166,00%

Item 30 of the profit and loss account includes dividends received in cash, consistent with international and Italian accounting standards (OIC 21). Therefore, in 2022, under item A) we find the income credited on listed equity securities purchased during 2022, while under item C) we find the 2021 dividends recognized by subsidiaries: from BAC Life Spa, amounting to €629,756; from BAC Trustee Spa, amounting to €144,912; and from BAC Investments SG Spa, amounting to €152,616.



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

Table 24.1 – breakdown of item 40 “commission income”

DESCRIPTION	31/12/2022	31/12/2021 proforma	CHANGE	
			Amount	%
A) Guarantees given	99.462	87.334	12.128	13,89%
B) Credit derivatives	–	–	–	–
C) Investment services	748.530	599.717	148.813	24,81%
C1. Reception and transmission of orders (letter d1 annex 1 list)	741.193	587.440	153.753	26,17%
C2. Execution of orders (letter d2 annex 1 list)	–	–	–	–
C3. Portfolio management of financial instruments (letter d4 annex 1 list)	7.337	12.277	–4.940	–40,24%
C4. Placement of financial instruments (letters d5 and d6 annex 1 list)	–	–	–	–
D) Financial instruments consulting activities	–	–	–	–
E) Distribution of services and products of third parties other than the placement	1.281.347	1.242.611	38.736	3,12%
E1. Asset management	–	–	–	–
E2. Insurance products	417.628	369.250	48.378	13,10%
E3. Other services and products	863.719	873.361	–9.642	–1,10%
F) Collection and payment services	692.570	663.007	29.563	4,46%
G) Depositary bank services	239.072	251.120	–12.048	–4,80%
H) Custody and administration of financial instruments	327.654	345.562	–17.908	–5,18%
I) Trust services	132.118	150.107	–17.989	–11,98%
L) Exercise of tax collectors and receivers	–	–	–	–
M) Currency trading	202.545	215.879	–13.334	–6,18%
N) Commissions for collective management services (letter e and f annex 1 list)	–	–	–	–
O) E-Money	–	–	–	–
P) Issue / management of credit cards / debit cards	1.533.229	1.117.852	415.377	37,16%
Q) Other Services	1.779.949	1.718.790	61.159	3,56%
Total	7.036.476	6.391.980	644.496	10,08%

Commission income as a whole shows a significant increase over last year (+10.08%), confirming customers' appreciation of the services offered by the bank; the best performing segments are: commissions on distribution of insurance products of our subsidiaries (+13.10%), commissions on receiving and transmitting orders (+26.17%) and commissions on issuing/managing credit/debit cards (+37.16%).



Table 24.2 – breakdown of item 50 “commission expense”

DESCRIPTION	31/12/2022	31/12/2021 proforma	CHANGE	
			Amount	%
A) Guarantees given	150	–	150	100,00%
B) Credit derivatives	–	–	–	–
C) Investment services	489.333	376.149	113.184	30,09%
C1. Reception and transmission of orders (letter d1 annex 1 list)	307.195	259.587	47.608	18,34%
C2. Execution of orders (letter d2)	133.799	78.502	55.297	70,44%
C3. Portfolio management of financial instruments (letter d4 annex 1 list)	–	–	–	–
▪ Own portfolio	–	–	–	–
▪ Third party portfolio	–	–	–	–
C4. Placement of financial instruments (letters d5 and d6 annex 1 list)	48.339	38.060	10.279	27,01%
D) Off-site offer of financial instruments, products and services	–	–	–	–
E) Collection and payment services	125.142	113.726	11.416	10,04%
F) Commissions to distributors	–	–	–	–
G) E-money	–	–	–	–
H) Issue / management of credit cards / debit cards	1.174.019	835.789	338.230	40,47%
I) Other services	60.544	49.890	10.654	21,35%
Total	1.849.188	1.375.554	473.634	34,43%

Concurrently with the increase in commission income, there was also an increase in commission expenses; a breakdown of these sees a growth in credit/debit card issuing/management fees (+40.47 %) and investment services fees (+30.09 %).

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	31/12/2022			
	Transactions on financial instruments	Transactions on currencies	Transactions on metals and precious metals	Other transactions
A1. Revaluations	–	–	–	–
A2. Write-downs	308.938	–	–	–
B. Other profits / losses	64.578	352.457	–	–
Total	–244.360	352.457	–	–
General total	108.097			
1. Government bonds	–154.632			
2. Other financial debt instruments	1.036.393			
3. Equity financial instruments	–1.126.121			
4. Derivative contracts on financial instruments	–			
Total	–244.360			

Item 60 includes the net result of trading in financial assets and foreign currencies on behalf of customers, as well as of the management of the Bank's proprietary non-capitalized financial portfolio. The result of securities management shows a negative contribution, however, a strong recovery compared to the previous year, thanks to the recovery of market prices, as a result of the changes made on monetary policies undertaken by the main central banks, European and U.S. (interest rate and inflationary scenario), despite the strong volatility that occurred in the market, a consequence of the outbreak of the Russian-Ukrainian war and the latest aftermath of the COVID19 pandemic. However, the algebraic balance of profits and losses from financial operations marks a positive value, a significant increase compared to the previous 2021, which, conversely, recorded a negative item of €1,301,462.



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	31/12/2022	31/12/2021	CHANGE	
			Amount	%
Other operating income				
• Rental income on real estate	1.399.476	1.195.951	203.525	17,02%
• Recovery of insurance expenses	20.619	19.656	963	4,90%
• Commissions income on reports	169.735	203.942	-34.207	-16,77%
• Miscellaneous expense recoveries	51.291	46.404	4.887	10,53%
• Share capital leasing fees	10.587.833	10.100.386	487.447	4,83%
Total	12.228.954	11.566.339	662.615	5,73%
Other operating expenses	-	-	-	-
Total	-	-	-	-

According to the provisions of the current CBSM Regulations on the preparation of financial statements for the year, finance lease fees accrued during the year are recognized, for the interest portion, under the item “interest income and similar income on loans” and, for the principal 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 amortization; therefore, the item “other operating income” includes the accrued principal on lease contracts, in addition to redemptions and maxi-fees.

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

Table 27.1 – number of employees by category and personnel costs

DESCRIPTION	31/12/2022			31/12/2021		
	Average	Personnel expenses	Number	Average	Personnel expenses	Number
A) Managers	23,00	2.117.279	23	22,17	2.009.185	23
B) Administrative staff	13,58	1.105.316	13	14,92	1.152.345	14
C) Remaining personnel	75,58	4.778.678	75	76,67	4.614.385	76
C1. Employees	75,58	4.778.678	75	76,67	4.614.385	76
C2. Other personnel	–	–	–	–	–	–
Total	112,17	8.001.273	111	113,76	7.775.915	113

It should be noted that the personnel cost, detailed in the above table, also includes among the Managers those employees who are contractually classified as Executives, in accordance with CBSM Regulation 2016-02; on the other hand, it does not include the emoluments paid to corporate officers, such as directors and auditors, explained in Table 27.3, as also shown in the profit and loss account and required by Article IV.IV.6 of CBSM Regulation 2016-02.

It should be noted that the cost of personnel marks an increase over the previous year, which is mainly attributable to the recognition of bonuses to non-managerial employees for better performance on the operating result recorded by the bank, as required by the collective bargaining agreement.



Table 27.2 – breakdown of sub-item b) “other administrative expenses”

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Amount	%
Other administrative expenses:	4.412.966	4.412.894	72	–
of which Fees to independent auditors	58.270	58.916	–646	–1,10%
of which Fees for services other than auditing the financial statements	–	–	–	–
of which Other:	4.354.696	4.353.978	718	0,02%
▪ Expenses for professional services	554.762	555.352	–590	–0,11%
▪ Expenses for the purchase of non-professional goods and services	1.238.355	1.164.714	73.641	6,32%
▪ Rents and fees	1.574.430	1.550.241	24.189	1,56%
▪ Insurance premiums	167.900	170.344	–2.444	–1,43%
▪ Supervisory charges	661.580	531.580	130.000	24,46%
▪ Charity and sponsorship expenses	8.850	16.047	–7.197	–44,85%
▪ Indirect taxes and duties	148.819	191.999	–43.180	–22,49%
▪ Depositors guarantee fund contribution	–	173.701	–173.701	–100,00%

The trend of rationalization of other administrative expenses continues even though, after several years of contraction, they remain stable compared to the previous year, thanks to careful cost management and control, which has made it possible to counteract inflationary pressures and cost increases that have reverberated on various supplies.

Table 27.3 – remuneration

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Amount	%
A) Directors	158.591	117.628	40.963	34,82%
B) Auditors	74.670	76.112	–1.442	–1,89%
C) Management	338.333	248.292	90.041	36,26%
Total	571.594	442.032	129.562	29,31%

This table details the remuneration paid to Directors and Statutory Auditors for their positions in the Bank, including attendance fees, as well as the remuneration paid to Management, namely the General Manager, the Deputy General Manager, hired in the second half of 2021, and other Key Executives, the latter not present.



Breakdown of sub-item “other personnel expenses”

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Amount	%
Other personnel expenses:	42.559	38.862	3.697	9,51%
of which Training costs	–	–	–	–
of which Other	42.559	38.862	3.697	9,51%
▪ Reimbursement of expenses and travel	11.940	9.743	2.197	22,55%
▪ Miscellaneous expenses	13.095	17.629	–4.534	–25,72%
▪ Reimbursement of directors' and auditors' expenses and travel	17.524	11.490	6.034	52,52%

From the year 2021, on the instructions of the Supervisory Authority, charges referring to directors and statutory auditors, other than fees approved by the assembly body, incurred directly or indirectly, such as, for example, reimbursement of expenses, must be accounted for under the subheading “other personnel expenses.”



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	31/12/2022	31/12/2021	CHANGE	
			Amount	%
a) Intangible fixed assets	240.157	197.484	42.673	21,61%
of which: on leased assets	50.761	49.366	1.395	3%
of which: on other intangible fixed assets	189.395	148.118	41.277	27,87%
▪ Software	71.457	59.185	12.272	20,73%
▪ Studies, research and training	31.512	28.289	3.223	11,39%
▪ Various multi-year costs	40.344	15.344	25.000	162,93%
▪ Accommodation expenses for rent	4.269	3.487	782	22,43%
▪ Concession rights and works of the underpass	41.813	41.813	–	–
Total	240.157	197.484	42.673	21,61%
b) Tangible fixed assets	11.633.588	11.302.337	331.251	2,93%
of which On leased assets	10.518.767	10.007.893	510.874	5,10%
of which On other tangible fixed assets	1.114.821	1.294.444	–179.623	–13,88%
▪ Mobile safes and systems	42.832	56.973	–14.141	–24,82%
▪ Electronic machines	102.755	65.609	37.146	56,62%
▪ Motor vehicles	10.700	–	10.700	100,00%
▪ Real estate and land	944.344	944.344	–	–
▪ Equipment and machinery	8.235	9.518	–1.283	–13,48%
▪ Other activities	–	218.000	–218.000	–100%
▪ Assets available from debt collection	5.956	–	5.956	100,00%
Total	11.633.588	11.302.337	331.251	2,93%

Contributions to the depreciation funds of functional business assets represent the sum of the accruals for the year 2022, calculated in relation to their remaining possibility of use and coinciding with the percentages set by the tax provisions of Law No.166 of 16 December 2013. We reproduce below the rates applied:



Real estate	3%
Furniture, safes and installations	15%
Electronic machines	20%
Motor vehicles	20%
Software	20%
Expenses accommodation of rented premises	20%
Studies, research, training and miscellaneous	20%
Concessionary rights and underpass works	3%

Depreciation fees also include the principal amounts, accrued during the year, related to the lease payments of the leased assets, which are accounted for at the same time as income in “other operating income,” as required by CBSM Regulation 2016-02, Article IV.V.5.

Table 28.2 – breakdown of item 120 “reserves for risks and charges”

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Amount	%
Provisions (relating to the sub-item “other provisions” of liabilities)	-	-	-	-
Provisions for charges, disputes and litigation	90.000	70.225	19.775	28,16%
Total	90.000	70.225	19.775	28,16%

“Provisions for risks and charges” in the amount of €90,000 were provided based on the timely update on the loss forecasts of the still open litigations.

Table 28.3 – item 130 “provisions for credit risks”

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Amount	%
Provisions (relating to the liabilities item “provisions for credit risks”)	-	-	-	-
Provisions for credit risk fund	600.000		600.000	100,00%
Total	600.000		600.000	100,00%

As already described in Table 18.5: Changes in Item 80 “Provisions for Loan Risks,” the Bank in 2022 conservatively decided to make a non-adjustment provision for loan risks on assets in the amount of €600,000 in anticipation of the entry into force of the so-called Calendar Provisioning.

Table 28.4 – breakdown of item 140 “value adjustments on loans and provisions for guarantees and commitments”

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Amount	%
A) Value adjustments on loans	10.105.471	9.567.017	538.454	5,63%
of which				
▪ Lump-sum adjustments for country risk				
▪ Other lump sum adjustments	1.160.690	239.896	920.794	383,83%
B) Provisions for guarantees and commitments				
of which				
▪ Lump-sum provisions for country risk				
▪ Other lump-sum provisions				
Total	10.105.471	9.567.017	538.454	5,63%

In accordance with the CBSM Regulation 2016-02, and as already explained in the relevant sections of the Explanatory Notes to the Financial Statements, 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 relevant economic sector and country. The write-downs made in 2022 raise the allowance for loan losses to an amount deemed congruous with the analytical write-downs related to the loss forecasts of individual debtors and 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 16.61%, compared with 17.01% in 2021.

Net Adjustments on loans and provisions for guarantees and commitments amounted to €4,556,664, composed as follows: €10,105,471 for provisions and adjustments on loans (Table 28.4) and €5,548,807 for writebacks from collections and valuation with positive sign (Table 28.6). It should be noted that in 2022, 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 upon application 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	31/12/2022		31/12/2021		CHANGE	
	Analytics	Flat-rate	Analytics	Flat-rate	Amount	%
A) Total write-downs of cash loans	8.944.781	1.160.690	9.327.121	239.896	538.454	5,63%
A1. Write-down of loans – non-performing loans	6.524.121	–	7.738.091	–	–1.213.970	–15,69%
A2. Write-down of loans – substandard loans	539.338	–	463.345	–	75.993	16,40%
A3. Write-down of loans – other loans	1.881.322	1.160.690	1.125.685	239.896	1.676.431	122,76%
B) Total cash loan losses	–	–	–	–	–	–
B1. Non-performing loans	–	–	–	–	–	–
B2. Substandard loans	–	–	–	–	–	–
B3. Other loans	–	–	–	–	–	–
Total value adjustments on cash loans (A + B)	8.944.781	1.160.690	9.327.121	239.896	538.454	5,63%
C) Total provisions for guarantees and commitments	–	–	–	–	–	–
C1. Guarantees	–	–	–	–	–	–
C2. Commitments	–	–	–	–	–	–
Grand Total (A+B) + C	8.944.781	1.160.690	9.327.121	239.896	538.454	5,63%
Totale	10.105.471		9.567.017			

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

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Amount	%
Value recovery	5.548.807	5.027.418	521.389	10,37%
of which On non-performing loans	3.476.851	3.727.105	–250.254	–6,71%
of which On substandard loans	243.537	577.775	–334.238	–57,85%
of which On other loans	1.828.419	722.538	1.105.881	153,06%

**Table 28.7 – breakdown of item 160 “financial fixed asset adjustments”**

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Amount	%
Value adjustments	386.310	611.422	-225.112	-36,82%
of which On equity investments	309.523	8.519	301.004	3533,32%
of which On equity investments in subsidiaries	309.523	8.519	301.004	3533,32%
of which On equity investments in associated companies	-	-	-	-
of which On equity investments valued at net equity	309.523	8.519	301.004	3533,33%
of which On other capital financial instruments	76.787	602.903	-526.116	-87,26%
of which On other debt financial instruments	-	-	-	-
of which On other derivative financial instruments	-	-	-	-

Value adjustments on capital financial instruments pertain to the valuation at the NAV communicated as of 31/12/2022 on the Green Arrow Private Debt Fund included in the investment securities portfolio; to this value adjustment is added the amount of €309,523, composed as follows: as to €1,737 to cover the 2021 loss of the subsidiary BAC Real Estate Srl, as much as €2,474 to cover the 2021 loss of the subsidiary San Marino Finanza e Previdenza srl, and as much as €305,311 to write-down the subsidiary BAC Real Estate Srl for adjustment to the 2022 NP.

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	31/12/2022	31/12/2021	CHANGE	
			Amount	%
Extraordinary income				
• Contingent assets	156.925	44.124	112.801	255,65%
• Receipts on positions passed to losses	139.765	112.647	27.118	24,07%
• Termination of customer relations	130	89	41	46,42%
• Release of the complaints and revocatory fund	25.835	–	25.835	100,00%
• Other extraordinary income	138.813	446.517	–307.704	–68,91%
• Capital gain from transfer of securities from investment portfolio to free prot. 20/13417	–	706.841	–706.841	–100,00%
• Capital gains from sale of real estate	122.827	–	122.827	100,00%
• Capital gains on investment securities	42.709	–	42.710	100,00%
Total	627.003	1.310.218	–683.215	–52,15%
Extraordinary charges				
• Discounting of fixed assets from transferred securities	14.016	104.073	–90.057	–86,5%
• Transaction claims	–	4.180	–4.180	–100,0%
• Repayment of interest income, commissions	330	9.939	–9.609	–96,7%
• Termination of customer relations	7.998	16.521	–8.523	–51,6%
• Other extraordinary charges	389.178	86.675	302.503	349,0%
Total	411.522	221.388	190.134	85,88%

It should be noted that “other extraordinary income” includes, predominantly, refunds from the Internal Revenue Service in application of the Conventional regime against double taxation signed in 2013, for withholding taxes on Italian securities unduly applied during 2014, as already described in the section on the Provision for Taxes and Duties.

While, “other extraordinary charges” include Losses from the settlement of judicial and extrajudicial disputes, as well as higher unbudgeted 2021 Supervisory Charges.



Details of the item “Income tax for the year”

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Amount	%
Income taxes for the year	-	-	-	-
Total	-	-	-	-

It should be noted that taxes for the year have not been recorded because the tax balance sheet, in accordance with Law No. 154 of 3 October 2019, Art. 11, will benefit from decreasing tax changes (dividends distributed, taxed surpluses on the provision for credit risks, 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, as has already been done for the tax losses of 2019, 2020 and 2021.

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

Table 30.1 – breakdown of item 230 “change in the general financial risk fund”

Data not present.

PART D – Other information tables

31. Prudential aggregates

Table 31.1 – prudential aggregates

DESCRIPTION	31/12/2022
	Amount
A) Supervisory capital	55.993.258
A1. Core capital	40.475.314
A2. Supplementary capital	18.065.064
A3. Elements to be deducted	2.547.120
A4. Supervisory capital	55.993.258
Risk activities and supervisory ratios	
B1. Risk-weighted assets	394.603.418
C2. Supervisory capital/risk-weighted assets	14,19%

In drafting the prudential aggregates, the indications contained in CBSM Regulation 2007-07 and the specific missives of the Supervisory Authority referring to the AQR exercise were implemented; therefore, the AQR adjustments, still in suspension, for the purposes of the statutory financial statements, for 2022, for 6/10 are represented under the item “Other Assets” in the amount of €27,490,570 and have been fully deducted from the Regulatory Capital. The new and more penalizing way of calculating regulatory capital, effective 31/12/2019, showed a solvency ratio of 14.19%, above the required regulatory minimums of 11%, and up 1.29 percentage points from 31/12/2021, where it stood at 12.90%.

Lastly, it should be noted that properties under secondary leasing transactions, which have been fully disclosed in the tables of loans and advances to customers and property, plant and equipment, for Prudential Supervision purposes have been represented as follows:

- in Schedule 4 Cash Assets Item 8(b) “Available real estate assets from debt collection, other than those awaiting lease termination and not demobilized within the terms provided for in Article VII.VII.2 of Reg. 2007/07, where not suspended in accordance with the aforementioned regulations,” using the weighting factor provided for in the provisions in force;
- in Table 3: “Holding limit of debt collection properties (Reg. 2007/07 Art. VII.VII.2)” of “Schedule 8: Maturity Transformation,” valuing the said properties at their book value as of the reference date.



It should be noted that by Prot.22/11226 of 04/11/2022, the Supervisory Authority allowed, on an exceptional and temporary basis on 31/12/2022, a partial derogation with regard to deductions from supplementary capital of net capital losses on the fixed asset portfolio under Art. VII.II.3, paragraph 3 of Regulation 2007-07, which were computed to the extent of 25% instead of 50%.

32. Major risks and related parties

Table 32.1 – major risks

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Absolute	%
Amount	46.889.691	99.792.271	-52.902.580	-53,01%
Number	5	16	-11	-68,75%

This table reports the number of risk positions that constitute a “major risk” according to current supervisory regulations. The total amount constitutes the sum of individual risk positions, direct and indirect, cash and signature, gross of any portion deducted from regulatory capital, taken from the prudential supervisory reporting as of reference date 31/12/2022.

Table 32.2 – risks to related parties

DESCRIPTION	31/12/2022	31/12/2021	CHANGE	
			Absolute	%
Amount	19.530.780	18.285.381	1.245.399	6,81%
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 current supervisory regulations. The overall amount is the sum of individual risk positions, direct and indirect, cash and signature, gross of any portion deducted from regulatory capital, derived from the prudential supervisory reporting as of the reference date 31/12/2022.



33. Time distribution of assets and liabilities

Table 33.1 – time distribution of assets and liabilities

ITEMS / REMAINING DURATIONS 31/12/2022	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	
1) Assets	727.260.150	215.920.809	37.885.505	19.865.930	21.695.451	4.773.903	13.908.703	5.339.629	11.658.703	27.860.475	66.374.904	119.659.609	117.376.170	64.940.359
1.1 Treasury securities and other financial instruments eligible for refinancing with Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Loans to credit institutions	166.016.694	134.496.082	5.000.000	-	-	-	-	-	-	-	-	-	-	26.520.612
1.3 Loans to customers	331.497.420	64.439.334	26.810.116	9.147.964	13.403.172	893.695	11.560.503	794.327	11.169.359	2.971.883	54.290.872	3.910.775	96.421.810	35.683.610
1.4 Bonds and other debt financial instruments	191.419.939	-	2.482.498	6.163.507	2.005.941	3.502.079	2.348.200	3.719.933	489.344	22.374.483	12.084.032	112.559.425	20.954.360	2.736.137
1.5 Off-balance sheet transactions	38.326.097	16.985.393	3.592.891	4.554.459	6.286.338	378.129	-	825.369	-	2.514.109	-	3.189.409	-	-
2) Liabilities	843.074.969	521.213.665	108.418.678	99.107.696	50.501.199	51.289.654	278.653	8.986.177	14.830.146	6.669.851	2.759.127	3.189.409	-	-
2.1 Due to credit institutions	3.129.848	905.075	1.260.000	-	-	964.773	-	-	-	-	-	-	-	-
2.2 Due to customers	636.981.825	502.227.668	59.607.041	60.863.921	14.283.195	-	-	-	-	-	-	-	-	-
2.3 Payables represented by financial instruments	161.664.475	523.793	43.958.746	33.689.316	29.131.337	24.069.902	1.986.217	7.360.479	14.830.146	3.355.412	2.759.127	-	-	-
• Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
• Certificates of deposit	161.664.475	523.793	43.958.746	33.689.316	29.131.337	24.069.902	1.986.217	7.360.479	14.830.146	3.355.412	2.759.127	-	-	-
• other financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.4 Other liabilities: cheques in circulation	571.736	571.736	-	-	-	-	-	-	-	-	-	-	-	-
2.5 Subordinated liabilities	2.400.988	-	-	-	800.329	-	-	800.329	-	800.330	-	-	-	-
2.6 Off-balance sheet transactions	38.326.097	16.985.393	3.592.891	4.554.459	6.286.338	378.129	-	825.369	-	2.514.109	-	3.189.409	-	-



36. More information on credit/debit cards/E MONEY

Table 36.1 – amounts of money transfers

TYPE OF TRANSACTION	31/12/2022				31/12/2021			
	Transaction amount	Number of transactions	Commissions received	Expense recoveries	Transaction amount	Number of transactions	Commissions received	Expense recoveries
Credit cards	–	–	–	–	–	–	–	–
Debit cards	72.498.853	996.723	29.520	22.846	65.456.580	852.450	22.631	20.444
E-money	1.029.238	29.932	773	9.230	1.191.550	33.019	1.595	11.037
Total	73.528.091	1.026.655	30.293	32.076	66.648.130	885.469	24.226	31.480

Table 36.2 – fraudulent uses

TYPE OF TRANSACTION	31/12/2022				31/12/2021			
	Transaction amount	Number of transactions	Commissions received	Expense recoveries	Transaction amount	Number of transactions	Commissions received	Expense recoveries
Credit cards	–	–	–	–	–	–	–	–
Debit cards	4.257	70	–	–	–	–	–	–
E-money	528	2	–	–	–	–	–	–
Total	4.785	72	–	–	–	–	–	–

Table 36.3 – credit cards revoked due to default

Data not present.

Table 36.4 – data on acquiring activity

AQUIRING ACTIVITY DATA	31/12/2022		31/12/2021	
	Number	Amount	Number	Amount
P.O.S.				
Number of Points of Sale (P.O.S.) affiliated with the reporting entity	558	–	546	–
Number of merchants contracted with the reporting institution	427	–	430	–
Payment transactions at merchants affiliated with the reporting institution	543.346	38.298.574	429.598	28.933.191
A.T.M.				
Number of Automatic Teller Machines (A.T.M.) operated by the reporting institution	11	–	11	–
Withdrawal transactions at A.T.M. operated by the reporting institution	104.926	21.839.450	99.704	20.572.210
Transactions at A.T.M. operated by the reporting institution other than withdrawal transactions	1.604	40.155	2.187	51.935



PART E – Other Information

For more information, please refer to reading the Board of Directors' Report.

San Marino, 27 april 2023

The General Manager

The Chairman of the Board of Directors



06

Auditors' report



Dott. Vanessa Tavolini

Dott. Giorgio Rusticali

Avv. Erika Marani

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

REPORT OF THE BOARD OF STATUTORY AUDITORS

**Financial statements for the year ended as of 31 December 2022
pursuant to Article 83 of Law No. 47/2006 and subsequent amendments
and additions.**

By

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

Headquartered in Dogana (RSM), Via Tre Settembre 316,

Registered under No. 5422 in the Register of Companies

and under No. 48 in the Register of Authorized Persons,

C.O.E. SM00087, share capital €20,880,080 fully paid up

Dear Shareholders,

This Report discloses 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 2022 of Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A. (hereinafter also "BAC" or "Bank"), pursuant to Article 83 of Law No. 47 of 23 February 2006, as amended, thus reporting the conclusions of the audit activity carried out.

Following the voluntary resignation of a member of the Board of Statutory Auditors effective 31 December 2022, the Shareholders' Meeting on 27 February 2023 appointed a new member of the Board of Statutory Auditors based on the determinations set forth in Regulation 2020-01.

This report, which is being presented to the Shareholders' Meeting, incorporates those news, data and information that the present Board has deemed desirable to make available to the Bank's shareholders. The Board examined the draft financial statements for the year ended as of 31 December 2022, which were prepared by the Directors and

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Dott. Giorgio Rusticali

Avv. Erika Marani

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

communicated by them to the Board, within the terms of the Law, together with the management report.

From the date of the individual members' assumption of office, we have carried out the activities assigned to us and have supervised compliance with the law and the articles of association, in accordance with the principles of proper administration, the adequacy of the internal control system and the administrative and accounting system, as well as the reliability of the latter in correctly representing management events on the ways in which the rules of corporate governance are actually implemented.

We give an account of this activity with this report which we are presenting to the Shareholders' Meeting.

I. CORPORATE GOVERNANCE

There were no changes in the composition of the administrative body during the 2022 financial year.

24 board meetings were held in 2022.

The Anti-Money Laundering Committee met 4 times, the Credit Committee 31 times, the Management Committee 0 times, the Finance Committee 6 times, the Risk Committee 4 times, and the Loan Loss Committee 4 times.

In this regard, the Board of Statutory Auditors noted, during routine audit activities, that the Management Committee during the year never met, contravening the General Regulations, which stipulate at least quarterly intervals. The Board of Statutory Auditors recommended that the Management Committee comply with the regulations.

II. SUPERVISORY ACTIVITIES CARRIED OUT.

During the year ended as of 31 December 2022, the Board of Statutory Auditors met 24 times.

On 3 May 2022, the Board of Statutory Auditors carried out and forwarded to the Board of Directors the competent opinion pursuant to Article 25 of the Instruction, Series: Financial Subjects No. 005 of the AML staff on the appointment of the AML Officer's replacement.

On 23 June 2022 the Board of Statutory Auditors carried out, and forwarded to the Board of Directors, the opinion pursuant to Article 38 paragraph 5 of FIA Instruction No. 05 of 11 February 2019 on the AML Officer's initiative control plan.



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On 20 October 2022 the Board of Statutory Auditors conducted, and forwarded to the Board of Directors, the opinion pursuant to Article 29 of FIA Instruction No. 05 of 11 February 2019 on the replacement of the AML Officer.

The Board of Statutory Auditors also deems it appropriate to specify that on 1 March 2023, it carried out and forwarded to the Board of Directors and Central Bank the self-assessment documents of the requirements of honorability, professionalism, and independence as set forth in Part IV, Title II of CBSM Regulation 2007-07, as supplemented by the criteria of fairness and competence provided for in Article 1 of CBSM Regulation 2020-01 following the appointment on 27 February 2023 of the new member of the Board of Statutory Auditors. During the 2022 financial year, there were no situations that required the Board of Statutory Auditors to issue mandatory opinions pursuant to current corporate regulations, nor does the Auditing Firm appear to have been called upon to issue such opinions.

It is noted that during the year the Bank was inspected by the Financial Intelligence Agency.

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

Supervisory activities in all the forms stipulated by 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 current regulations, 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 Bylaws.

The Board of Statutory Auditors, to the extent of its competence, reports:

- that it has reviewed 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

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*Board of Statutory Auditors
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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 verification, that the constant adaptation of the information apparatus was maintained.

With reference to 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 Department, which reports the results of its activities 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.

During the year the Bank continued the follow-up activities indicated by the external auditor Parent & partners on the functionality of the system of internal controls, in order to identify the necessary interventions with the aim of strengthening its effectiveness. As of the date of this report said activities are substantially completed. 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 to correctly transpose and represent operating events, through the information periodically obtained from the heads of the various functions involved and from the periodic meeting with the auditing firm.

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The Board of Statutory Auditors also carried out its oversight regarding 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 that could incur the risk of non-compliance with regulations, and no particular critical issues have been found during the year that have required corrective action in this regard, so the set of safeguards and procedures appears to be functional in preventing the risk of non-compliance with regulations;
- controls are deemed 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 year no complaints were received pursuant to Article 65 of Law 47/2006, as amended, and that the supervisory activities were carried out in a normal manner and no significant facts emerged from them that would require reporting here. In addition, it is acknowledged that there were no complaints or reports brought to the attention of the Board of Statutory Auditors during 2022 financial year.

Finally, it is acknowledged that meetings were held with the supervisory bodies of subsidiaries during the year.

III. FINANCIAL STATEMENTS

With regard to the control of proper bookkeeping and the correct recording of operating events in the accounting records, as well as the verification of the correspondence between the information in the financial statements and the results in the accounting records and the compliance of the financial statements with the regulations of the law, it should be noted that these tasks are entrusted to the auditing company AB&D S.p.A.

The Board of statutory auditors supervised the general layout of the financial statements, its general compliance with the Law with regard to its formation and structure, and in this regard has no particular observations to report.

We believe that the information provided to the Shareholders' Meeting complies with the provisions and contains a faithful, balanced and

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

comprehensive analysis of the Bank's situation, performance and management result.

We have reviewed the draft Financial Statements for the year ended as of 31 December 2022, consisting of the Statement of Assets and Liabilities, Profit and Loss Account, Explanatory Notes to the financial statements, made available to us together with the Report of the Board of Directors and, accordingly, we report the following. The Bank's equity as of 31/12/2022 amounted to €86,915,158 and consisted of the share capital of €20,880,080, ordinary or legal reserve of €46,726,154, reserve for treasury shares of €14,378, other reserves of €126,612, revaluation reserve of €18,116,756, and profit for the year of €1,051,178.

The Supervisory Limits, which are punctually represented and described in the Financial Statements documents, show a *total capital ratio* of 14.19% for the year 2022, an improvement over the 31 December 2021 *total capital ratio* 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, amounted to €55.993 million. The Bank shows no capital shortfall for Prudential Supervision purposes in the year just ended.

Cash loans to customers (loans to so-called traditional customers and loans from leasing activities) amounted to €331.497 million, down €12.855 million from the previous year (-3.73%).

Gross impaired loans at the end of 2022 stood at €124.747 million, a year-on-year decrease of €17.889 million (-12.54%).

During the year, BAC continued its policy of close monitoring and recovery on non-performing positions resulting in the contraction shown.

Overall, total loans to customers amounted to a nominal €397.544 million, against which value adjustments of €66.047 million were made; the overall coverage ratio of loans to customers was 16.61%, compared to 17.01% as of 31/12/2021.

The profit and loss account for the 2022 fiscal year closed with a positive result for the year in the amount of €1,051,178, compared to



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Board of Statutory Auditors
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the negative result for the previous year, which recorded a loss of - €2,522,804.

This result was positively affected on the one hand by the rise in rates, which occurred in the last quarter of 2022, and on the other hand by the purchasing policies on the proprietary securities portfolio, which resulted in higher profitability, compared to the previous year, on the finance segment by +€2.126 million (+110.25%), on the interest margin from securities and +€0.953 million (+166%) on dividends.

As reported in the Directors' Report, overall, the financial margin marks an absolute increase of €3.258 million (+31.79%) and the services margin of €1.730 million (+3313%). The performance described above supported the maintenance of net value adjustments on loans of €4.556 million, as well as value adjustments on financial fixed assets of €0.386 million and additional allocations to the provision for non-adjustment of assets of €0.600 million.

On 4 May 2023, the auditing firm AB&D S.p.A. issued its report to 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 31/12/2022 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."

The audit report also contains the following calls for information:

"Without changing our judgment, 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 31/12/2022 were 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*

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

in 2019. As a result of the aforementioned accrual process, the suspended value adjustments, recorded under asset item 130 "Other assets" as of 31/12/2022, amount to €27,490,570 with an impact on the 2022 profit and loss account of €4,581,762, recorded under item 140 "Value adjustments on loans and provisions for guarantees and commitments."

- The Bank, during the financial year:
 - Carried out the transfer of financial instruments from the investment portfolio to the free portfolio with retroactive effect to 31/01/2022; specifically:
 - Pursuant to CBSM Letter prot. no. 22/3413 of 31/03/2022 and later supplemented by Letter protocol no. 22/5115 of 17/05/2022, the Shareholders' meeting held on 13/04/2022 resolved the transfer of securities for a total countervalue of Euro 15,040,858 at the transfer valuation rules, and €15,081,495 at the carrying price on the date of resolution. This transfer generated a capital loss of €40,637 and allowed the neutralization of valuation loss, as of the transfer date of 13/04/2022, of €436,123;
 - Pursuant to CBSM Letter prot. no. 22/6395 of 23/06/2022, the Shareholders' meeting held on 07/20/2022 resolved to transfer securities with a total countervalue of €14,301,102 at the transfer valuation rules, and €14,302,038 at the carrying price on the transfer date of 30/06/2022. This transfer generated a capital loss of 936 Euros and allowed the neutralization of valuation losses, as of the transfer date of 30/06/2022, of €486,196;
 - sold in advance, through an "exchange" transaction, a security allocated to the investment portfolio as part of the transfer mentioned in the previous paragraph, for €9,973,500. The realized capital gain was recorded under item 190 "Extraordinary income" in the amount of €42,700;
 - obtained early redemption, at the issuer's instruction, of a security allocated in the investment portfolio for €550,000. The realized capital loss was booked under item 200 "Extraordinary expenses" in the amount of €14,016.



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

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

- The financial statements as of 31/12/2022 closed with a profit for the year of €1,051,178; the directors, in the paragraph "Proposal for Approval of the Financial Statements and Allocation of the Profit for the Year" of the Management Report, state that as much as €840,942, net therefore of 20% of the profit allocated to the ordinary reserve as per regulatory regulations, will have to be tied up as a reserve intended for future capital increases, pursuant to CBSM letter prot. no. 20/13417 of 22/12/2020. In fact, this reserve, which as of 31/12/2022 is already tied up in item 130 d) "Other reserves" for €126,613, will have to be further replenished up to the amount of €3,467,150 equal to the total capital gains generated by the securities divestment transactions carried out in the years 2020 and 2021 based on the aforementioned CBSM letter."*

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 as far as its formation and structure are concerned, and in this regard, we have no observations to report.

IV. COMMENTS AND PROPOSAL REGARDING THE FINANCIAL STATEMENTS AND ITS APPROVAL

Considering the findings of the work we carried out and the opinion expressed in the audit report issued by the statutory auditor, we invite you to approve the financial statements for the year ended as of 31 December 2022, as prepared by the directors.

The Board of Statutory Auditors agrees with the proposed allocation of the 2022 financial year profit, as formulated by the administrative body in the final part of the 2022 Report of the Board of Directors.
San Marino, 15 May 2023

Dott.ssa Vanessa Tavolini (Chairman)

Dott. Giorgio Rusticali (Auditor)

Avv. Erika Marani (Auditor)

Dott. Vanessa Tavolini

Dott. Giorgio Rusticali

Avv. Erika Marani

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

SUBJECTIVE AND OBJECTIVE CONDITIONS

Pursuant to Article 6 of Law No. 47 of 23 February 2006, all members of the Board of Statutory Auditors of Banca Agricola Commerciale S.p.A. declare that they continue to meet the subjective and objective conditions for being appointed Statutory Auditors.

San Marino, 15 May 2023

Dott.ssa Vanessa Tavolini (Chairman)

Dott. Giorgio Rusticali (Auditor)

Avv. Erika Marani (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 31/12/2022, the Profit and Loss Account for the year closed at such date and the Explanatory Notes to the Financial Statements.

In our opinion, the financial statements give a true and fair view of the equity and financial situation of BANCA AGRICOLA COMMERCIALE ISTITUTO BANCARIO SAMMARINESE S.p.A. as of 31/12/2022 and the economic result for the year closed on that date in accordance with San Marino regulations, including Regulation 2016-02 issued by the Central Bank of the Republic of San Marino, which governs their drafting criteria.

Basis for 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 at 31/12/2022 were prepared by continuing the accrual of adjustments resulting from the AQR (Asset Quality Review) exercise permitted by art. 40 of Law no. 173/2018 together with the authorization of the Supervisory Authority (Prot.no. 20/5553 of 19/06/2020), over a period of 10 years starting from 2019. As a result of the aforementioned accrual process, the suspended value adjustments, recorded under item 130 of assets "Other assets" as of 31/12/2022, amount to €27,490,570 with an impact on the 2022 profit and loss account of €4,581,762, recorded under item 140 "Value adjustments to receivables and provisions for guarantees and commitments".
- The Bank, during the financial year:
 - carried out the transfer of financial instruments from the investment portfolio to the free portfolio with retroactive effect to 31/01/2022; specifically:

- Pursuant to CBSM Letter prot. no. 22/3413 of 03/31/2022 and later supplemented by Letter protocol no. 22/5115 of 17/05/2022, the Shareholders' meeting held on 04/13/2022 resolved the transfer of securities for a total countervalue of €15,040,858 at the transfer valuation rules, and €15,081,495 at the carrying price on the date of resolution. This transfer generated a capital loss of € 40,637 and allowed the neutralization of valuation losses, as of the transfer date of 13/04/2022, of €436,123;
- Pursuant to CBSM Letter Prot. No. 22/6395 dated 23/06/2022, the Shareholders' meeting held on 20/07/2022 resolved to transfer securities for a total countervalue of €14,301,102 at the transfer valuation rules, and €14,302,038 at the carrying price on the transfer date of 30/06/2022. This transfer generated a capital loss of €936 and allowed the neutralization of valuation losses, as of the transfer date of 30/06/2022, of €486,196;
- sold in advance, through an "exchange" transaction, a security allocated net fixed asset portfolio as part of the transfer mentioned in the previous paragraph, for €9,973,500. The realized capital gain was recorded under item 190 "Extraordinary income" in the amount of €42,700;
- obtained early redemption, at the issuer's instruction, of a security allocated to the investment portfolio in the amount of €550,000. The realized capital loss was booked under item 200 "Extraordinary expenses" in the amount of €14,016.

All as better detailed and explained in paragraph 5 of the Explanatory Notes to the financial statements.

- The financial statements as of 31/12/2022 closed with a profit for the year of € 1,051,178; the directors, in the paragraph "Proposal for approval of the Financial Statements and allocation of the result for the year" of the Management Report, state that as much as € 840,942, net of the 20% of the profit allocated to the ordinary reserve as per regulatory regulations, will have to be tied up in a reserve intended for future capital increases, pursuant to CBSM letter prot. no. 20/13417 of 22/12/2020. This reserve, which as of 31/12/2022 is already tied up in item 130 d) "Other reserves" for €126,613, will in fact have to be further replenished up to the amount of €3,467,150 equal to the total capital gains generated by the securities divestment transactions carried out in the years 2020 and 2021 on the basis of the aforementioned CBSM letter.

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 and appropriate audit evidence on which to base our judgment. The risk of 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 Bank;
- 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 conclusions are based on the audit evidence acquired up

to the date of this 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 31/12/2022, 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 31/12/2022 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 31/12/2022 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.

San Marino, 4 May 2023

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

Marco Stolfi
Director

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

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