Financial statement 2023



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Board of Directors Biagio Bossone

Chairman (in office until 28/05/2024)

Daniele Savegnago

Vice Chairman (in office until 28/05/2024)

Micaela Licia Menicucci

General Manager

Board Members Emanuele Cesarini

Francesco Gennari

Andrea Ragagni

(in office until 28/05/2024)

Board of Statutory Auditors Vanessa Tavolini

Chairman

Erika Marani

Auditor

Giorgio Rusticali

Auditor

General Management Micaela Licia Menicucci

Director

Marco Castronovo

Deputy Director

Riccardo Terenzi

Deputy Director (in office since 01/01/2024)

Shareholders' meeting



On Tuesday 28 May 2024 – 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

- Reports of the Board of Directors and the Board of Statutory Auditors; presentation of the financial statements as of 31 December 2023 and related decisions:
- 2. Appointment of Directors for the 2024-2026 three-year period and determination of their remuneration;
- 3. Determination of the amount to be allocated to charity.

Pursuant to Article 16 of the Articles of Association:

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

Pursuant to Article 20 of the Articles of Association:

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

at least 65% of the share capital in first meeting;

at least 50% of the share capital at second meeting.

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

-----omissis----."

San Marino, 29 april 2024

The Chairman of the Board of Directors
Biagio Bossone

Report of the board of directors



Report of the board of directors on the 2023 financial statements

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The macroeconomic scenario

The international context

The year 2023 was characterized by a resilient global economy and declining inflation, following the sharp increases of previous years. Notably, in the latter part of the past year, economic growth was stronger than expected in both the United States and several emerging markets and developing economies, overcoming the economic contraction caused by the Covid-19 pandemic, the initial phases of the Russia-Ukraine conflict, and the inflation peak of 2022. An exception is the Euro Area, where growth was rather limited due to weak consumer confidence, high energy prices, and sluggish investments resulting from rising interest rates. The high financial burdens slowed investments in the old continent, with an even more disruptive effect on low-income economies, where production remains significantly lower than pre-2020 levels.

Inflation, after peaking in 2022, is decreasing faster than expected without severe consequences for employment or economic activity, thanks to positive supply dynamics and restrictive central bank policies. However, these policies have increased financing costs, putting pressure on the real estate sector. Despite the decrease in inflation, long-term financing rates remain high, partly due to the increase in public debt.

Interest rate dynamics are also influenced by the asynchronous decisions of central banks. In some countries where inflation is declining, interest rates have been falling since the second half of 2023. This is the case, for example, in Brazil and Chile, where central banks have acted more promptly than in other countries. In the United States, the Federal Reserve implemented its last rate hike - the eleventh since March 2022 - in June 2023, reaching a range of 5.25-5.50%. Recently, the FED, acknowledging the gradual decline in inflation, has indicated a willingness to accelerate the normalization of rates.

In Europe, the European Central Bank (ECB) has implemented 10 rate hikes since the summer of 2022, with the latest in September 2023. The official rate stands at 4.50%, and according to the Board's indications, it will be maintained for a sufficiently long period to facilitate the timely return of inflation to the 2% target. However, given recent data, it is not excluded that a reduction in the restrictive stance might be announced by the first half of 2024.

Conversely, in China, where inflation is close to zero, the local central bank has eased monetary policy. Similarly, in Japan, rates have been kept near zero.

Throughout 2023, different fiscal policy approaches were observed across countries. Advanced economies have relaxed their policies; this is the case for the United States, which has further eased compared to the Euro Area, and other economies with lower economic growth. In emerging markets and developing economies, the fiscal stance is expected to be neutral, except for Brazil and Russia, which relaxed their fiscal policies in 2023. In low-income countries, liquidity has significantly decreased due to rising rates, diverting resources from investments and further slowing recovery.

Looking ahead to 2024, projections indicate a general tightening of fiscal positions in both advanced and emerging or developing economies, aimed at

rebuilding fiscal maneuvering space and curbing public debt growth.

According to the OECD Global Debt Report 2024, the total volume of sovereign, corporate, and sustainable debt reached a record level of nearly \$100 trillion in 2023, comparable to the global GDP.

Specifically, in 2023, the sovereign debt of the 38 OECD countries hit \$54 trillion, with estimates for 2024 predicting an additional increase of \$2 trillion. The United States, alone accounting for 50% of the public debt stock, the United Kingdom with about 6%, and Italy are among the countries that have significantly contributed to the rise in public debt. In contrast, France, Germany, and Japan have seen a reduction in their debt. Despite this, the EU countries contribute 20% to sovereign debt, followed by Japan with 16%, and other OECD countries collectively contributing the remaining 9%.

Due to the restrictive policies adopted by central banks, the OECD estimates that the cost of borrowing has increased from an average of 1% in 2021 to 4% in 2023, with interest expenses rising from 2.3% to 2.9% of GDP during the same period.

Despite the significant increase in the cost of sovereign issuances, public finances have remained relatively stable, as the impact of inflation on nominal GDP and the extension of debt maturities have offset the higher debt.

According to the IMF's World Economic Outlook (WEO January 2024), global growth is projected to be 3.1% in 2023 and 2024, with an increase to 3.2% expected in 2025. However, global growth remains below the average for the 2000-2019 period due to restrictive monetary policies and the withdrawal of fiscal support. Advanced economies are expected to see a slight decline in growth in 2024, followed by a recovery in 2025, while emerging markets and developing economies are expected to maintain stable and progressive growth. The weight of increasing trade distortions and geoeconomic fragmentation reduces the forecast for global trade growth to 3.3% in 2024 and 3.6% in 2025, below its historical average growth rate of 4.9%.

Regarding fuel prices, which have significantly contributed to inflation dynamics, forecasts indicate a decrease in prices over the 2024-2025 period, with a particular decrease in the average oil price of 2.3% in 2024. Similarly, commodity prices are also expected to decline by 0.9% in 2024.

The table below, from the WEO JAN 2024, describes the growth forecasts prepared by IMF experts.

World economic outlook, january 2024 update

Table 1. Overview of the world economic outlook projections (Percent change, unless noted otherwise)

			Year over Y	ear					
_					Difference from Oc			Q4 over Q4 2/	
		Estimate	Projection	s	WEO Projection	ons 1/	Estimate	Projection	ns
	2022	2023	2024	2025	2024	2025	2023	2024	2025
World output	3,5	3,1	3,1	3,2	0,2	-	3,1	3,1	3,1
Advanced economies	2,6	1,6	1,5	1,8	0,1	-,0	1,6	1,6	1,7
United states	1,9	2,5	2,1	1,7	0,6	-0,1	2,9	1,5	1,9
Euro area	3,4	0,5	0,9	1,7	-0,3	-0,1	0,2	1,5	1,6
Germany	1,8	-0,3	0,5	1,6	-0,4	-0,4	-0,1	1,1	1,9
France	2,5	0,8	1,0	1,7	-0,3	-0,1	0,6	1,4	1,8
Italy	3,7	0,7	0,7	1,1	0,0	0,1	0,2	1,3	1,0
Spain	5,8	2,4	1,5	2,1	-0,2	0,0	1,5	1,8	2,1
Japan	1,0	1,9	0,9	0,8	-0,1	0,2	1,4	1,6	0,5
United kingdom	4,3	0,5	0,6	1,6	0,0	-0,4	0,9	0,6	1,8
Canada	3,8	1,1	1,4	2,3	-0,2	-0,1	1,1	1,9	2,2
Other advanced economies 3/	2,7	1,7	2,1	2,5	-0,1	0,2	1,5	2,6	2,0
Emerging market and developing economies	4,1	4,1	4,1	4,2	0,1	0,1	4,3	4,3	4,1
Emerging and developing asia	4,5	5,4	5,2	4,8	0,4	-0,1	5,2	5,5	4,7
China	3,0	5,2	4,6	4,1	0,4	-	5,4	4,4	4,0
India 4/	7,2	6,7	6,5	6,5	0,2	0,2	5,0	7,8	6,7
Emerging and developing europe	1,2	2,7	2,8	2,5	0,6	0,0	4,1	2,0	2,9
Russia	-1,2	3,0	2,6	1,1	1,5	0,1	4,4	1,4	1,0
Latin america and the caribbean	4,2	2,5	1,9	2,5	-0,4	0,1	2,2	1,7	2,6
Brazil	3,0	3,1	1,7	1,9	0,2	0,0	2,3	2,6	1,4
Mexico	3,9	3,4	2,7	1,5	0,6	0,0	3,4	1,9	1,4
Middle east and central asia	5,5	2,0	2,9	4,2	-0,5	0,3	-	-	-
Saudi arabia	8,7	-1,1	2,7	5,5	-1,3	1,3	-4,5	2,8	5,4
Sub-saharan africa	4,0	3,3	3,8	4,1	-0,2	-	-	-	-
Nigeria	3,3	2,8	3,0	3,1	-0,1	-	2,7	3,3	2,9
South africa	1,9	0,6	1,0	1,3	-0,8	-0,3	1,0	1,2	1,3
Memorandum	-	-	-	-	-	-	-	-	-
World growth based on market exchange rates	3,0	2,7	2,6	2,7	0,2	-	2,7	2,5	2,6
European union	3,6	0,6	1,2	1,9	-0,3	-0,2	0,7	1,4	2,3
Asean-5 5/	5,5	4,2	4,7	4,4	0,2	-0,1	4,1	5,2	3,5
Middle east and north africa	5,6	2,0	2,9	4,2	-0,5	0,3	-	-	_
Emerging market and middle-income economies	4,0	4,2	4,0	4,0	0,1	_	4,3	4,3	4,1
Low-income developing countries	5,2	4,0	5,0	5,6	-0,1	_	_	-	· .
World trade volume (goods and services) 6/	5,2	0,4	3,3	3,6	-0,2	-0,1	_	_	
Advanced economies	6,1	0,3	2,6	3,2	-0,4	-0,1	_	_	_
Emerging market and developing economies	3,7	0,6	4,5	4,4	0,2	0,0	_	_	
Commodity prices	-,-	-	-		-,-	-,5	-	-	_
Oil 7/	39,2	-16,0	-2,3	-4,8	-1,6	0,1	-2,8	-6,1	-4,9
Nonfuel (average based on world commodity import weights)	7,9	-6,1	-0,9	-0,4	1,8	-0,3	-2,0	1,5	0,2
World consumer prices 8/	8,7	6,8	5,8	4,4	0,0	-0,2	6,0	5,3	3,8
Advanced economies 9/	7,3	4,6	2,6	2,0	-0,4	-0,2	3,1	2,3	2,0
Emerging market and developing economies 8/	9,8	8,4	8,1	6,0	0,3	-0,2	8,4	7,7	5,2

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during October 30-November 27, 2023. Economies are listed on the basis of economic size. The aggregated

5/ Indonesia, Malaysia, Philippines, Singapore, Thailand.

quarterly data are seasonally adjusted. WEO = World Economic Outlook.

1/ Difference based on rounded figures for the current and October 2023 WEO forecasts. Countries for which forecasts have been updated relative to October 2023 WEO forecasts account for approximately 90 percent of world GDP measured at purchasing-power-parity weights.

^{2/} For World Output (Emerging Market and Developing Economies), the quarterly estimates and projections account for approximately 90 percent (80 percent) of annual world (emerging market and developing economies') output at purchasing-power-parity weights.

^{3/} Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.
4/ For India, data and projections are presented on a fiscal year (FY) basis, with FY 2022/23 (starting in April 2022) shown in the 2022 column. India's growth projections are 5.7 percent in 2024 and 6.8 percent in 2025 based on calendar year.

^{6/} Simple average of growth rates for export and import volumes (goods and services).

^{7/} Simple average of prices of UK Brent, Dubai Fateh, and West Texas Intermediate crude oil. The average assumed price of oil in US dollars a barrel, based on futures markets (as of November 29, 2023),

^{8/} Excludes Venezuela.
9/ The assumed inflation rate for the euro area is 2.8% in 2024 and 2.1% in 2025, that for Japan is 2.7% in 2024 and 2.0% in 2025, and that for the United States is 2.2% in 2024 and 1.9% in 2025.

In detail, the growth rate of advanced economies was estimated at 1.6 % in 2023 with projected growth of 1.5 % and 1.8 % in 2024 and 2025, respectively. Specifically:

- U.S. economic growth for 2023 is estimated at 2.5%, while projections for the following two years indicate a slowdown (+2.1% for 2024 and +1.7% for 2025) due to the delayed effects of restrictive monetary policy, gradual fiscal tightening, and weakening labor markets;
- Growth in the Euro Area, after a slowdown in 2023 (estimated at +0.5%), is expected to recover due to the anticipated reduction in inflation and falling prices. Nonetheless, growth projections remain well below those of advanced economies, at 0.9% for 2024 and 1.7% for 2025. Among Euro Area countries, Spain leads the recovery, with growth of 2.4% in 2023, 1.5% in 2024, and 2.1% in 2025; followed by France (+0.8%, +1.0%, and +1.7%), Italy (+0.7%, +0.7%, and +1.1%), and Germany, which, after a difficult 2023 (-0.3%), is expected to grow by 0.5% in 2024 and 1.6% in 2025.
- In the United Kingdom, growth is expected to increase modestly from an estimated 0.5% in 2023 to 0.6% in 2024, and then to 1.6% in 2025, thanks to easing financial conditions and income recovery due to disinflation;
- In Japan, growth is projected to decelerate from an estimated 1.9% in 2023 to 0.9% in 2024 and 0.8% in 2025, due to yen appreciation, domestic demand, and reduced business investments.

For emerging markets and developing economies, growth, estimated at 4.1% in 2023, is expected to remain at that level in 2024 and rise to 4.2% in 2025.

In China, growth is forecast at 4.6% in 2024 and 4.1% in 2025, reflecting stronger-than-expected growth in 2023 and increased public spending. In India, due to strong domestic demand, growth is expected to remain robust in both 2024 and 2025 (+6.5%).

Growth in Emerging Europe, estimated at 2.7% in 2023, is expected to slightly increase in 2024 (+2.8%) before declining to 2.5% in 2025. Specifically, Russia's growth was higher than expected in 2023 (+3.0%), with forecasts of 2.6% for 2024 and 1.1% for the following year.

In Latin America, growth is estimated at 2.5% for 2023 and is expected to slow in 2024 before returning to similar levels in 2025. Projections are impacted by macroeconomic challenges in Argentina and the resulting contraction in the country.

The italian economy

As mentioned earlier, the European economy slowed in 2023, and the same occurred for the Italian economy. Compared to 2022, when Italy's GDP grew by 3.7%, growth projections have been revised downward, with an estimated increase of 0.7% in 2023. Projections for 2024 and 2025 are 1.1% and 0.7%, respectively. This slowdown is due not only to the waning post-pandemic recovery momentum but also to inflation and associated interest rate hikes. Inflation remains significant and far from the 2% target, primarily due to the driving effect of energy price increases on goods and services prices, as well as the rise in core inflation, which peaked at the beginning of 2023.

Regarding the interest rate increase, it led to a sudden rise in credit costs for households and businesses, causing a decrease in demand estimated by ABI at 2.8 percentage points as of 31 December 2023, as well as a reduction in investments, especially in the real estate sector. This restrictive policy also negatively impacted credit quality, resulting in an increase in non-performing loans (NPLs) and a contraction in corporate liquidity.

Growth prospects are influenced by energy product price trends, particularly due to escalating tensions in the Middle East, the new Israeli-Palestinian conflict, and the possibility of its spread to neighboring countries, which could further drive-up oil and gas prices.

Despite the difficulties, Italian growth is supported, albeit to a limited extent, by household consumption dynamics, given the contraction in industrial production and the halt in exports. Specifically, consumption in 2023 appears to have been financed by a lower propensity to save, as indicated by ABI data showing a decrease in resident customer deposits by more than 3% as of 31 December 2023, compared to the previous year. For 2024, an increase in purchasing power is expected due to stronger wage dynamics and the gradual reduction in inflation, which ISTAT reported at 5.7% at the end of 2023, down from 8.7% the previous year.

A positive contribution to growth is expected from the National Recovery and Resilience Plan (PNRR) and the implementation of included investments, although delays suggest that the actual employment stimulus will be less than planned. Indeed, the report on the plan's implementation status indicates that by the end of 2023, of the €101.9 billion received, Italy had spent only €45.65 billion, due to project revisions and preparatory activities. Under the PNRR, Italy is expected to benefit from an additional €92.5 billion in European resources once certain milestones and targets are met.

Regarding employment, projections indicate growth over the biennium roughly in line with GDP growth, albeit slightly more pronounced in 2023 due to the economic momentum recorded in the first quarters of the year. An average annual increase in the number of employed people of 1.5% is expected in 2023 and 0.8% in 2024. However, employment dynamics vary between sectors, with a decline in construction employment and growth in services, especially in trade, repairs, transportation, accommodation, and catering.

The positive employment performance has had a favorable impact on the unemployment rate, which is gradually decreasing after peaking at 10.1% in January 2021 during the health emergency. Projections indicate an average annual unemployment rate of 7.7% in 2023 and 7.4% in 2024.

Finally, a brief note on public finances. According to data from the Bank of Italy, public debt at the end of December 2023 was €2,863 billion, up from 2,757 billion euros in 2022. However, the debt-to-GDP ratio slightly decreased from 288.7% in 2022 to 284% in 2023.

With these figures, Italy will face the European Union's Stability and Growth Pact, which became operational again in 2024 under the new framework recently approved by the Council and the European Parliament. The new rules require states with a debt-to-GDP ratio above 90% to ensure a gradual reduction of this ratio by 1% per year, as well as the creation of preventive spending margins of 1.5% to address shocks without putting public finances under pressure.

Financial numbers in 2023

In 2023, international financial markets showed significant signs of recovery after a tumultuous 2022. Notably, stock markets saw remarkable recoveries, driven by the rapid decrease in inflation, especially in the final months of the year, and the resilience of economic activity.

In the United States, technology stocks performed exceptionally well, with the NASDAQ 100 increasing by 53.81%, while the Dow Jones index rose by 16.18%. In Europe, there were strong results with Italy's FTSE MIB up by 28.03%, Spain's IBEX 35 up by 22.76%, Germany's DAX up by 20.31%, and France's CAC 40 rising by 16.52%. Asian stock markets also saw double-digit growth, with Japan's NIKKEI 225 up by 28.24%, Taiwan's FTSE TWSE 50 up by 24.87%, and India's NIFTY 50 up by 20.03%. Volatility was observed to decrease.

Bond prices, particularly towards the end of the year, saw a significant increase, partly due to the growing conviction among market operators that central banks were nearing success in combating inflation.

Long-term government bond yields rose in major countries, with a notable increase in the United States, driven by the economy's strength, macro-financial uncertainty, and the substantial supply of bonds by the Treasury. Specifically, the spread between Italian and German government bonds remained within a range of 40 basis points, closing the year at 167.68.

For the first half of 2024, it is anticipated that stock and bond markets will continue to expand in tandem unless there is an escalation in geopolitical tensions or an inflation increase that would rule out official rate cuts. In the second half of the year, economic growth is expected to drive markets, leading to the normalization of equity earnings and an increase in volatility.

In 2023, the euro strengthened against major foreign currencies, while commodity prices progressively declined, with oil prices falling by 10.37% for Brent and 11.43% for WTI by the end of the year. Cryptocurrencies had mixed results, with significant increases for some like Solana, Bitcoin, and Ethereum, and notable decreases for others like Dora Factory and Callisto Network.

The San Marino scenario

The economy of San Marino continues to show good performance. Unlike major Eurozone countries, San Marino has demonstrated remarkable resilience, with a stable labor market reflecting full employment, driven by strong external demand benefiting both the manufacturing and tourism sectors.

According to IMF analysts, the San Marino economy is expected to grow by 5% in 2022, with forecasts for 2023 indicating a growth of 2.2%. However, this slowdown is attributed to rising inflation, higher interest rates, tighter financial conditions, weakened external demand, and global uncertainty exacerbated by ongoing conflicts, including the Israeli-Palestinian conflict. Washington experts predict that this slowdown will persist in 2024-2025, although to a lesser extent, with projected growth of 1.3%, higher than Italian estimates (0.7% in 2024 and 1.1% in 2025).

The IMF urges the continuation of structural reforms to support competitiveness, increase the growth potential of the Republic, and further consolidate fiscal conditions, which have improved in recent years, ensuring sustainability and aiming for a public debt level below 60% of GDP by 2028. The issuance of the Eurobond and the subsequent rollover in May 2023 significantly reduced fiscal risks, improved gross financing needs, and supported internal liquidity. Additionally, the duration of the 100-million-euro BCE liquidity line for the Central Bank of San Marino has been extended until 31 January 2025.

Below are the main indicators providing an overview of the San Marino economy. The number of businesses operating in the territory recorded a positive balance of 101 units, increasing from 5,049 in December 2022 to 5,150 in December 2023. Notably, there was an increase in professional, scientific, and technical activities (+35 businesses), real estate activities (+32 businesses), and information and communication services (+25 businesses).

As of 31 December 2023, **the workforce totaled** 24,356 units, including 22,030 employees, 1,535 self-employed workers, and 791 unemployed individuals. In detail:

- Private sector employees increased by 592 units, from 17,579 at the end of 2022 to 18,189 at the end of 2023, while public sector employees grew by 130 units, from 3,711 to 3,841 in the same period.
- The number of self-employed workers decreased by 7 units, from 1,542 at the end of 2022 to 1,535 at the end of 2023.
- The number of unemployed decreased by 33 units, from 824 at the end of 2022 to 791 at the end of 2023. Specifically, strict unemployment fell from 508 to 428 in the same period, with a reduction of 80 units.

The number of cross-border workers saw a progressive increase of 672 units, rising from 7,199 in December 2022 to 7,871 in December 2023.

The San Marino labor market continues to perform well, as evidenced by social safety net data, although slightly deteriorating compared to December 2022. Specifically:

- as of September 2023, 628 companies had resorted to the Wages Guarantee Fund (CIG), mainly for temporary market situations, involving a total of 379,423 hours and 11,126 workers. By the end of 2022, there were 874 companies that had used the CIG, involving 374,273 hours and 10,749 workers.
- As of December 2023, 2,149 workers affected by workforce reduction processes or cessation of business activities placed in mobility status benefited from the Special Economic Allowance (IES), compared to 2,093 in December 2022.

As for inflation, although it decreased slightly during 2023 compared to the end of 2022, it still remains high and is expected to remain so in the coming months, in line with Italian trends. During the year, inflation continued to accelerate, registering an average trend increase of +5.9 % (up from +5.3 % in the previous year), with a further 3 percentage points of growth in December 2023. The product and service categories that contributed the most to the price acceleration include "Alcoholic beverages and tobacco" (+11.6 %), "Recreation, entertainment and culture" (+7.7 %), "Food and non-alcoholic beverages" (+11.2 %), "Accommodation and food services" (+8.5 %) and "Furniture, household goods and services" (+6.3 %). In contrast, there was a slight decrease for the

category "Housing, water, electricity and fuels" (-2.6 %) toward the end of 2023, mainly due to lower prices of energy products.

Inflationary dynamics have negatively affected real incomes is this has led to a containment of domestic consumption growth, which nevertheless remains positive.

The San Marino financial system

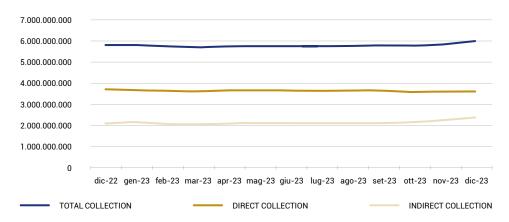
As of 31 December 2023, San Marino's financial system had 11 authorized entities under San Marino law, broken down as follows: 4 banks, 3 management companies, 1 insurance company, 1 finance company, and 2 payment institutions. In addition, 5 foreign financial companies were authorized to operate without establishment as service providers, after completing the relevant authorization procedure. Completing the panorama are 2 San Marino companies, recently established in the context of systemic securitization, which carry out servicing activities.

Regarding the performance of the sector, aggregate data provided by the San Marino Banking Association indicate a renewed interest of depositors in the San Marino banking system. During 2023, there was growth in total deposits and their components. As of 31 December 2023, total deposits amounted to €5,990 million, registering an annual increase of 3.86 %, or €222 million. On the other hand, direct deposits recorded an annual decrease of 1.56 %, or €57 million, while indirect deposits saw a positive balance of €279 million, corresponding to a +13.32 % in percentage terms.

In terms of loans, 2023 confirmed the negative trend of recent years, with a significant contraction in December due to the systemic securitization operation, during which more than €600 million of NPLs were sold from Originators to Veicolo di Sistema. As of 31 December 2023, gross loans to customers (including leasing) stood at €1,086 million, registering a decrease of 45.04 % from the previous year.

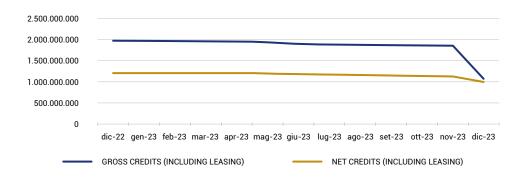
To better understand the dynamics of San Marino's financial system over the past year, two graphs are presented showing the trends in deposits in its components and in loans, both gross and net.

Collection trend (december 2022 - december 2023)



¹ Data source: monthly reporting produced by the Member Banks related to the data of deposits and loans extrapolated from the "SC Accounting Situation (Circular 2017/04)" report submitted by them to the BCSM; the historical series is implemented from the survey as of 12/31/2020.

Credit trend (december 2022 - december 2023)



Regarding Non-Performing Loans (NPLs), as of Q3 2023, there were gross doubtful loans totaling €1,021 million, of which €393 million represent non-performing loans, with a "coverage ratio" on doubtful loans of 70.7%. Although there was an improvement compared to the end of 2022, thanks to the strategy adopted by the banks and the Authorities to reduce NPLs, further significant progress was made towards the end of the year thanks to the systemic securitization ex Lege 157/2021.

In December 2023, Non-Performing Loans with a face value of €612 million were sold by the San Marino Originators to Veicolo di Sistema. Veicolo di Sistema followed up the sale with the issuance of global notes in three tranches. The senior notes, with a purchase value of about 70 million and with a public guarantee, listed on Euronext Acces Milano, are rated and have been subscribed by institutional investors, demonstrating the international nature of the transaction, which saw as Arranger the international bank JPMorgan, as well as other advisors of primary standing such as Banca Guber, Banca Finint and the legal teams of Studio Orrick and Studio Legale Mularoni. While the mezzanine class securities, worth about €40 million, and the junior class securities, worth about €50 million, were underwritten by the originators themselves.

As a result of securitization, the country's gross NPL ratio has shrunk from

54.1% to 45%, and the net NPL ratio from 25.8% to 17.4%. This figure is expected to contract further with the enactment of the "calendar provisioning" regulatory package issued by the Central Bank in the second quarter of 2023 to reduce risks in bank balance sheets from NPLs and to align San Marino regulations with international standards on NPL classification.

As for the total equity of the financial system operators (including the general financial risk fund), as of 31 December 2023, it stood at about €323 million, up from 297 million as of 31 December 2022.

San Marino authorities, together with the financial system, continue to work to adopt solutions to increase capital levels and restructure the system to improve its efficiency and profitability, incorporating the recommendations of supranational organizations and international standards.

The evolving regulatory framework and compliance activities

San Marino legislation and compliance activities

During the year 2023, BAC Group's Compliance Function adapted internal regulations, procedures and processes to the San Marino regulatory framework.

Banking and financial regulation

In the present fiscal year, it should be noted that, in the framework of the commitments undertaken by the Republic of San Marino of progressive alignment to the regulatory standards of the European Union, a relevant part concerns the banking and financial sector; already with the Monetary Convention signed between the Republic of San Marino and the European Union on 27 March 2012, and with the future Association Agreement, the adoption of common rules introduced at the European level is foreseen to guarantee the financial stability of the member countries and the transparency of the markets.

Cited in this regard are the primary legislative measures enacted in the year 2023 of interest to the banking and financial system.

- Delegated Decree No. 50 of 21 March 2023 (Ratifying Delegated Decree No. 19 of 8 February 2023) "Update and Coordination Provisions on Financial Matters," the measure aims to implement Article 10 paragraphs 7, 29 and 30 of Finance Law 2023 171/2022, which provides for a series of regulatory delegations to the Congress of State, including in the financial sphere;
- Delegated Decree No. 52 of 21 March 2023 (Ratification of Delegated Decree No. 35 of 3 March 2023) "Establishment of the Joint Commission for the Enhancement of the Integration Process with the European Union."

Additional measures enacted by the Legislature during the current year are listed below:

- Delegated Decree No. 82 of 11 May 2023 "Issue of Public Debt Securities -Republic of San Marino, fixed rate 6.50%, 19 January 2027."
- Delegated Decree No. 147 of 13 October 2023 "Issuance of Public Debt Securities - Republic of San Marino, fixed rate 3.90%, 6 December 2024";

by the above-mentioned measures, the placement of public debt securities is arranged exclusively in the territory of the Republic of San Marino;

- Law No. 132 of 15 September 2023 "Change to the Budget of the State and the Entities of the Enlarged Public Sector for the 2023 Financial Year and Amendments to Law No. 171 of 23 December 2022."
- Law No. 194 of 22 December 2023 "State and Public Entity Budgets for the 2024 Financial Year and 2024/2026 Multi-Year Budgets.

It also highlights relevant measure issued at the end of the year 2023 on financing:

 Delegated Decree No. 198 of 29 December 2023 "Interventions to mitigate interest rates on mortgages on the home of residence," in brief, can benefit from the provisions whoever is the holder of a mortgage loan, at variable rate, referred to the property used as their actual residence whose household has a per capita taxable income not exceeding a specified threshold.

The following measures were taken in the field of corporate law:

- Delegated Decree No. 17 of 8 February 2023 "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."
- Delegated Decree No. 18 of 8 February 2023 "Amendments to Law No. 47 of 23 February 2006 - Law on Companies as amended."
- Law No. 170 of 30 November 2023 "Framework Law on Benefit Societies."

In the area of anti-money laundering, the following measures are mentioned:

- Delegated Decree No. 89 of 1 June 2023, "Amendments to Delegated Decree No. 141 of 5 October 2022 Cross-border transfer of cash," containing 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, DD 89/2023 introduces sanctioning measures for anyone who does not make the money available for control purposes even if they have fulfilled their declaration obligations. The Decree applies as of 30 June 2023;
- Delegated Decree No. 154 of 31 October 2023 (Ratification of Delegated Decree No. 146 of 10 October 2034) "Adaptation of national legislation to international conventions and standards on preventing and combating money laundering and terrorist financing," transposes the Fifth EU Directive on AML (EU Directive 2018/843 amending EU Directive 2015/849) into San Marino law;
- Congress of State Resolution No. 13 of 21 March 2023 "High Risk Countries Update Pursuant to Article 16 undicies of Law 92/2008."
- Congress of State Resolution No. 66 of 28 December 2023 "High Risk Countries Update Pursuant to Article 16 undicies of Law No. 92/2008."

In labor law matters:

- Delegated Decree No. 30 of 23 February 2023 (Ratifying Delegated Decree No. 12 of 26 January 2023) "Amendments and Coordination to Law No. 157 of 29 November 2022 Reform of the Pension System," containing coordinating provisions to Law 157/2022 in the field of pensions;
- Delegated Decree No. 48 of 17 March 2023 (Ratification of Delegated Decree No. 38 of 3 March 2023) "Coordination of regulations in implementation of Law No. 164 of 9 December 2022 - Reform of regulations on employment."
- Delegated Decree No. 197 of 29 December 2023 "Interventions on access to the Wages Guarantee Fund and related sanctions."

mentioned:

- Law No. 75 of 2 May 2023 "Fire Prevention Law."
- Delegated Decree No. 158 of 3 November 2023 (Delegated Decree No. 117 of 8 August 2023) "Implementation Rules of the Law of 2 May 2023 - Law on Fire Prevention."
- Delegated Decree No. 197 of 29 December 2023 "Interventions on access to the Wage Supplementation Fund and related sanctions."

Below are the secondary regulations issued by Central Bank of the Republic of San Marino, in the year 2023:

 Regulation 2023-01 "Miscellaneous of Targeted Revision Interventions to Existing Supervisory Provisions," the measure updates secondary-level regulations to the above changes in the primary-level regulatory framework and consolidates the interpretative and application guidelines already expressed by the Supervisory Authority on a regulatory basis.

The following measures have been issued in the area of credit exposure:

- Regulation 2023-02 "Regulations on Updating the Supervisory Provisions on Credit Exposures."
- Circular 2023-01 "Circular on Minimum Coverage of Impaired Credit Exposures of Banks."

The aforementioned measures complete the process of harmonizing the taxonomy of loans under current supervisory regulations with the standards of the European Union; they introduce, based on the new definitional framework, first-pillar prudential supervisory measures aimed at preventing the accumulation of impaired credit exposures on bank financial statements.

- Regulation 2023-03 "Regulation on investment solicitation," the measure issued on 30 November 2023, which came into force on 1 January 2024, consolidates on a regulatory basis the guidelines and practices adopted to date in the investigative and authorization procedures inherent to investment solicitations in San Marino and the related standards of transparency and fairness in the hands of the offerors, whether they are placement agents entrusted to do so (San Marino financial intermediaries) or directly issuers (even when non-financial or non-San Marino), having as a point of reference the counterparts and more recent standards adopted at the European level (EU Regulation 2017/1129). The measure represents another important regulatory step toward both the completion of the implementing regulations of the LISF and the transposition of the EU acquis in the financial sphere.
- Regulation 2023-04 "Regulations on Consolidated Financial Statements supplementing Regulation 2016-02 and Circular 2017-03", the measure published on 30 November 2023 will come into force on 1 January 2024 and is aimed at introducing, as of the 2024 financial year, the obligation for authorized entities (excluding only insurance companies) to also prepare and approve, when Parent Company, the consolidated financial statements, based on the formats and criteria provided by the regulation itself; it completes, the transposition of Directive 86/635/EEC and related measures,

also taking into account the changes introduced by Art. 3 of DD 19/2023 "Provision for updating and coordination in financial matters"; moreover, it is specified that Reg. 2023-04 comes into force on the date coinciding with the effective date of the reform having to do with the taxonomy of credit exposures, introduced by CBSM Regulation 2023-02 in application of European standards.

- Regulation 2023-05 "Regulation on Procedures for Feeding and Maintaining Debtor Records," the measure published on 22 December 2023 and entered into force on the same date implements the regulations of Law No. 132 of 15 September 2023 "Change to the Budget of the State and the Entities of the Enlarged Public Sector for the 2023 Financial Year and Amendments to Law No. 171 of 23 December 2022" which amends Law 70/2004 "Single Tax Collector's Service," specifically Article 34 on payment deferrals (guaranteed installments) and introduces with Article 34 bis payment promises (non-guaranteed installments).
- Circular 2023-02 "Circular on Operational Provisions for the Application of Article 34 of Law 70/2004 (Requests for Deferred Payment) as amended by Article 5, Paragraph 2 of Law 132/2023.

Major legislative interventions in the San Marino legal system

PRIMARY LEGISLATION	TITLE
Decree Law No. 4 of January 2023 (Ratification of Decree Law No. 172 of 30 December 2022)	"Extraordinary interventions in the field of work to support the energy emergency."
Decree Law No. 8 of 26 January 2023	"Amendments to the general rules related to Covid-19."
Delegated Decree No. 12 of 26 January 2023	"Amendments and Coordination to Law No. 157 of 29 November 2022 - Reform of the Welfare System"
Delegated Decree No. 17 of 8 February 2023	"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"
Delegated Decree No. 18 of 8 February 2023	"Amendments to Law No. 47 of 23 February 2006 - Law on Corporations as amended."
Delegated Decree No. 19 of 8 February 2023	"Updating and coordinating provisions on financial matters."
Delegated Decree No. 21 of 16 February 2023	"Adjustment of the pension limit ceiling referred to in Article 14 of Law No. 157 of 29 November 2022"
Delegated Decree No. 22 of 20 February 2023	"Innovative Unified Text of Provisions on Telematic Communication with the Administration and Access to Online Services of the Administration"
Delegated Decree No. 24 of 21 February 2023	"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."
Delegated Decree No. 25 of 21 February 2023	"Update of rent for real estate used for residential purposes."
Delegated Decree No. 26 of 21 February 2023	"Update rent of real estate used for professional, business and social activities"
Delegated Decree No. 30 of 23 February 2023 (Ratification of Delegated Decree No. 12 of 26 January 2023)	"Amendments and Coordination to Law No. 157 of 29 November 2022 - Reform of the Welfare System"
Delegated Decree No. 35 of 3 March 2023	"Establishment of the Joint Commission for the Enhancement of the Integration Process with the European Union."
Decree Law No. 37 of 3 March 2023	"Harmonization of financial coverage provisions on employment incentives"
Delegated Decree No. 38 of 3 March 2023	"Coordination of regulations in implementation of Law No. 164 of 9 December 2022 - Reform of employment-related regulations"
Delegated Decree No. 48 of March 2023 (Ratification of Delegated Decree No. 38 of 3 March 2023)	"Coordination of regulations in implementation of Law No. 164 of 9 December 2022 - Reform of employment-related regulations"
Delegated Decree No. 50 of 21 March 2023 (Ratification of Delegated Decree No. 19 of 8 February 2023)	"Updating and coordinating provisions on financial matters."

Delegated Decree No. 51 of 21 March 2023 (Ratification of Delegated Decree No. 22 of 20 February 2023)	"Consolidated Innovative Act of Provisions on Telematic Communication with the Administration and Access to Online Services of the Administration"
Delegated Decree No. 52 of 21 March 2023 (Ratification of Delegated Decree No. 35 of 3 March 2023)	"Establishment of the Joint Commission for the Enhancement of the Integration Process with the European Union."
Congress of State Resolution No. 13 of 21 March 2023	"High Risk Countries Update Pursuant to Article 16 undicies of Law 92/2008"
Delegated Decree No. 72 of 2 May 2023 (Ratification of Delegated Decree No. 24 of 21 February 2023)	"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"
Law No. 75 of 2 May 2023	"Fire Prevention Law"
Delegated Decree No. 77 of 3 May 2023	"Establishment of the Single Registry and Amendments to the Regulations on Public Procurement of Works, Services and Supplies Complementary to Public Works and the Supply or Delivery of Goods and Services to the Enlarged Public Sector"
Delegated Decree No. 79 of 4 May 2023	"Provisions pertaining to operations under Article 3 of Law No. 171 of 23 December 2022"
Decree Law No. 81 of 10 May 2023	"Extraordinary extension of deadlines for filing tax returns and related obligations.
Delegated Decree No. 82 of 11 May 2023	"Issue of Public Debt Securities of the Republic of San Marino, fixed rate 6.50%, 19 January 2027"
Delegated Decree No. 89 of 1 June 2023	"Amendments to Delegated Decree No. 141 of 5 October 2022 - Cross-Border Cash Transfer."
Delegated Decree No. 91 of 1 June 2023	"Coordination of regulations in implementation of Law No. 164 of 9 December 2022 - Reform of employment-related regulations"
Delegated Decree No. 92 of 1 June 2023	"Transitional provisions relating to the transfer of real estate to be built."
Decree Law No. 105 of 6 July 2023	"Postponement of the deadlines stipulated in Articles 17, 20 and 24 of Law No. 164 of 9 December 2022 - Reform of employment- related regulations"
Delegated Decree No. 106 of 10 July 2023	"Discipline of Trade in Gold and Other Precious Metals for Investment."
Delegated Decree No. 117 of 8 August 2023	"Implementation Rules of Law No.75 of 2 May 2023 - Fire Prevention Law"
Delegated Decree No. 120 of 18 August 2023	"Discipline of fixed-term employment contract, temporary employment services and secondment of workers"
Decree Law No. 129 of 7 September 2023	"Transfer of resources subject to criminal seizure to the Central Bank of the Republic of San Marino."
Law No.132 of 15 September 2023	"Change to the Budget of the State and Public Sector Entities Enlarged for the 2023 Financial Year and Amendments to Law No. 171 of 23 December 2022"
	<u> </u>

"Discipline of Trade in Gold and Other Precious Metals for Investment."
"Ratification of the Protocol of Amendment to the Convention for the Protection of Individuals with Regard to Automatic Processing of Personal Data"
"Extension of terms provided for in Article 38 of Law No. 164 of 9 December 2022 - Reform of employment-related regulations - as amended"
"Extraordinary extension of electronic invoice storage deadlines in the interchange of goods and services with Italy"
"Discipline of "Made in San Marino" and "100% Made in San Marino" trademarks."
"Adjustment of national legislation to international conventions and standards on preventing and combating money laundering and terrorist financing"
"Issue of Public Debt Securities - Republic of San Marino, fixed rate 3.90%, 6 December 2024"
"Discipline of the forms and methods of implementation of Law No. 157 of 30 August 2021 - Measures and instruments for the securitization of credits"
"Extraordinary extension of electronic invoice storage deadlines in the interchange of goods and services with Italy"
"Discipline of fixed-term employment contract, temporary employment services and secondment of workers"
"Adjustment of national legislation to international conventions and standards on preventing and combating money laundering and terrorist financing"
"Amendment of the provisions on subjective deductions provided for in Article 16 and Article 148, Paragraph 8, of Law No. 166 of 16 December 2013, as amended"
"Updating of transformation and revaluation coefficients for contribution-based pension treatments"
"Implementation Rules of Law No.75 of 2 May 2023 - Fire Prevention Law"
"Amendments to Articles 197 and 198 of the Criminal Code - Embezzlement and Unfaithful Administration"
"Provisions pertaining to securitization operations under Law No. 157 of 30 August 2021."
"Regulation of migration flows for labor and extraordinary needs for the year 2024"

Delegated Decree No. 168 of 30 November 2023	"Seismbonus for seismic risk reduction."
Law No. 170 of 30 November 2023	"Framework Law on Benefit Societies"
Delegated Decree No. 173 of 4 December 2023	"Definition of the maximum spread and nominal interest rate to be applied until 30 September 2024 to loans assisted by the state subsidy under Law No. 44 of 31 March 2015, as amended"
Delegate Decree No. 176 of 4 December 2023 (Ratification of Delegate Decree No. 165 of 20 December 2023)	"Provisions pertaining to securitization operations under Law No. 157 of 30 August 2021."
Delegated Decree No.178 of 13 December 2023	"Update incentives for energy efficiency in buildings."
Delegated Decree No.182 of 13 December 2023	"General rules for the use of the integrated document management program for telematic administrative process"
Delegated Decree No.185 of 18 December 2023	"Discipline of economic activities"
Law No.194 of 22 December 2023	"State and Public Entity Budgets for the 2024 Financial Year and 2024/2026 Multi-Year Budgets"
Congress of State Resolution No. 66 of 28 December 2023	"High Risk Countries Update Pursuant to Article 16 undicies of Law 92/2008"
Delegated Decree No. 197 of 29 December 2023	"Interventions on Access to the Wage Guarantee Fund and Related Penalties"
Delegated Decree No. 198 of 29 December 2023	"Interventions to mitigate interest rates on mortgages on the home of residence."
Delegated Decree No. 199 of 29 December 2023	"Reorganization of the Separate Management Fund, coordination interventions in social security matters, revision of work activity rules for pensioners and family solidarity"
Delegated Decree No. 200 of 29 December 2023	"Supervisory Body Pursuant to Law No. 157 of 30 August 2021"

SECONDARY LEGISLATION	TITLE
BCSM Regulation 2023-01 published on 03/27/2023	"Miscellany of Targeted Revisions to Existing Supervisory Provisions"
BCSM Regulation 2023-02 published on 09/05/2023	"Regulations for updating the supervisory provisions on credit exposures"
BCSM Circular 2023-01 published on 09/05/2023	"Circular on Minimum Coverage of Impaired Credit Exposures of Banks"
BCSM Regulation 2023-03 published on 30/11/2023	"Regulations on investment solicitation"
BCSM Circular 2023-02 published on 1/12/2023	"Circular on Operational Provisions for the Application of Article 34 of Law 70/2004 (Requests for Deferred Payment) as amended by Article 5, Paragraph 2 of Law 132/2023"
BCSM Regulation 2023-04 published on 21/12/2023	"Regulations on consolidated financial statements supplementary to Regulation 2016-02 and Circular 2017-03"
BCSM Regulation 2023-05 published on 22/12/2023	"Regulations on Procedures for Feeding and Maintaining the Debtor Registry"

Foreign branches

The Bank has no branches outside the San Marino territory.

Introduction

Dear Shareholders.

for Banca Agricola Commerciale S.p.A. (hereinafter also BAC, Bank or Parent Company), the year 2023 was marked by substantial stability in corporate events attributable to the Banking Group, given the accomplished reorganization of corporate entities undertaken between 2019-2022.

The following is a description of the companies that fall within the scope of the BAC Group, as they are wholly or majority owned by the Parent Company:

- BAC Investments SG Spa, a wholly owned subsidiary, Management Company established in 2018 authorized to carry out exclusively the activity of promotion and management of mutual funds, a prominent entity in the asset management sector under San Marino law, with an important track record. The company manages seven open-ended mutual funds intended for the general public and subject to UCITS regulation² (previously authorized by CBSM);
- BAC Life Spa, a wholly owned subsidiary, the only San Marino Life Insurance Company operating in the territory, for which BAC has also acted as an insurance intermediary since 2009, when the Company was established;
- BAC Trustee Spa, a wholly owned subsidiary, 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;
- San Marino Finanza e Previdenza Srl, established in 2021 with a 51 % stake, in a 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.

With regard to taking equity stakes in other companies, again outside the Banking Group's perimeter, it should be noted that in 2023 BAC, together with the other San Marino banks, completed the important system securitization process in accordance with Law 157/2021, transferring a large part of its impaired loans (so-called NPLs) to the newly established Veicolo di Sistema.

With this in mind, the securitization transaction directly involved and engaged the Governing Body and the Heads of the Executive Structures, as well as various middle management figures of the banks, as well as a number of financial and

² The acronym UCITS (Undertakings for Collective Investment in Transferable Securities) refers to Directive 65/EC dated 13/01/2019 of the European Union, which sets the terms for the placement of funds domiciled in one.

legal advisory firms of international standing, determining the success of the transaction, with the complete placement primarily on the international money market of the tranches of senior class securities originated by the securitization, backed by public guarantee and rating.

For the completion of the securitization transaction and to ensure the recovery activities of the loans assigned by the Banks to Veicolo di Sistema, as per international best practices, the following companies were established:

- I.G.R.C. S.p.A., a company incorporated on 9 August 2023 by the sole shareholder Ecc.ma Camera, with the role of Master Servicer of the transaction, having as its corporate purpose a) management, protection and recovery of receivables, on behalf of third parties; b) collection of assigned receivables and cash and payment services c) lending activities, aimed at more efficient management and recovery of receivables, in accordance with the provisions of current supervisory regulations; d) management of banking assets or assets, securitized. As a result of share capital increase resolved by the Shareholders' Meeting of 9 January 2024, BAC has participated since February 2024 in the share capital to the extent of 10.08%, in proportion to the credits conferred, together with the other San Marino banks and the Eccellentissima Camera, which has reduced its participation to 40%;
- S3 Special Servicer Sammarinese s.r.l., a company incorporated on 4 October 2023, called to carry out, on behalf of Veicolo di Sistema s.r.l., as well as IGRC S.p.A., the role of Special Servicer with the activities of a) management, protection and recovery of receivables, on behalf of third parties; b) collection of assigned receivables and cash and payment services, including within the framework of receivables securitization transactions (servicing activities); c) management and demobilization of bank assets or securitized assets. BAC holds 33.33% of the share capital, together with Banca di San Marino Spa and Cassa di Risparmio della Repubblica di San Marino Spa, with equal shares.

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	31/12/2023	31/12/2022	CHANGE	
			Absolute	%
Interest margin	17.452.472	13.508.136	3.944.336	29,20%
Net commission	5.212.558	5.187.288	25.271	0,49%
Profits and losses on financial transactions	1.288.239	108.097	1.180.142	1091,74%
Other revenues	2.135.096	1.659.425	475.671	28,66%
Revenues from intermediation	8.635.893	6.954.810	1.681.083	24,17%
Intermediation margin	26.088.365	20.462.947	5.625.419	27,49%
Personnel expenses	-7.849.656	-8.277.092	427.436	-5,16%
Administrative expenses	-5.126.789	-4.412.968	-713.821	16,18%
Tangible and intangible asset adjustments	-1.388.285	-1.304.216	-84.069	6,45%
Operating costs	-14.364.730	-13.994.277	-370.453	2,65%
Operating result	11.723.635	6.468.670	5.254.965	81,24%
Provisions for risks and charges and net adjustments to receivables	-5.400.908	-4.646.664	-754.244	16,23%
Provisions for credit risks	-	-600.000	600.000	-100,00%
Value adjustments on financial fixed assets	139.737	-386.310	526.047	-136,17%
Value adjustments on non-financial fixed assets	-	-	-	-
Gains/Losses on investment securities - Extraordinary gains/losses	570.253	215.481	354.772	164,64%
Change in General Financial Risk Fund (+/-)	-1.423.222	-	-1.423.222	100,00%
Tax on income	-	-	-	-
Result for the year	5.609.496	1.051.178	4.558.318	433,64%

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

Balance sheet data

DESCRIPTION	31/12/2023	31/12/2022	CHANGE		
			Absolute	%	
Total assets	937.181.396	992.514.583	-55.333.187	-5,58%	
Cash	4.482.087	8.055.774	-3.573.686	-44,36%	
Loans to customers	277.856.002	331.497.418	-53.641.417	-16,18%	
of which Impaired loans	33.074.237	61.938.022	-28.863.785	-46,60%	
Financial assets	236.834.365	233.887.120	2.947.246	1,26%	
Net interbank position	161.639.684	162.886.848	-1.247.164	-0,77%	
Equity investments	13.467.854	13.240.015	227.840	1,72%	
Property, plant and equipment/ intangible assets	117.713.876	104.807.281	12.906.595	12,31%	
Other assets	125.187.527	138.140.128	-12.952.601	-9,38%	
Total liabilities	937.181.395	992.514.583	-55.333.187	-5,58%	
Due to customers and securities issued	744.745.193	798.646.299	-53.901.106	-6,75%	
of which Payables	534.578.366	636.981.825	-102.403.458	-16,08%	
of which Payables represented by securities	210.166.827	161.664.475	48.502.352	30,00%	
Other liabilities	93.591.086	102.744.431	-9.153.345	-8,91%	
Provisions for risks and charges	1.843.326	1.222.085	621.242	50,83%	
Provision for risks on non-adjustable receivables	600.000	600.000	-	-	
Provision for general financial risks	1.423.222	-	1.423.222	100,00%	
Subordinated liabilities	2.400.922	2.400.988	-66	-	
Shareholders' equity (including result for the year)	92.577.646	86.900.779	5.676.867	6,53%	

Financial assets of customers

DESCRIPTION	31/12/2023	31/12/2022	СНА	NGE	COMPO	SITION
			Absolute	%	31/12/2023	31/12/2022
A) Direct deposits	748.452.326	801.619.023	-53.166.697	-6,63%	100%	100%
Savings deposits	1.471.373	2.013.349	-541.976	-26,92%	0,20%	0,25%
Customer current accounts in euros and foreign currency	423.055.241	500.214.319	-77.159.078	-15,43%	56,52%	62,40%
Repurchase agreements	67.990.077	72.782.366	-4.792.288	-6,58%	9,08%	9,08%
Other funds	42.061.675	61.971.791	-19.910.116	-32,13%	5,62%	7,73%
Certificates of deposit	210.166.827	161.664.475	48.502.352	30,00%	28,08%	20,17%
Internal checks	1.306.211	571.736	734.475	128,46%	0,17%	0,07%
Subordinated liabilities	2.400.922	2.400.988	-66	-	0,32%	0,30%
B) Raccolta gestita (valore di mercato)	3.590.835	6.792.876	-3.202.041	-47,14%		
of which Cash	276.317	3.567.527	-3.291.210	-92,25%		
of which Subordinated loan	-	-	-	-		
C) Assets under administration (market value)	584.167.817	528.775.603	55.392.214	10,48%		
of which Bac Investments SG funds	109.374.923	112.014.219	-2.639.296	-2,36%		
of which Subordinated loan	2.395.000	2.395.000	-	-		
D) Custodian Bank activities	109.374.923	112.014.219	-2.639.296	-2,36%		
of which Cash	5.249.412	4.109.340	1.140.072	27,74%		
of which Subordinated loan	-	-	-	-		
Total Deposits	1.437.665.172	1.439.129.854	-1.464.682	-0,10%		

MAIN INDICATORS		
	31/12/2023	31/12/2022
Structure data		
Number of employees e.o.p.	107	111
Number of branches	8	8
Credit risk ratios		
Net non-performing loans / Net loans to customers	3,93%	10,26%
Net doubtful loans / Net loans to customers	11,90%	18,68%
Coverage on total loans	4,66%	16,61%
Supervisory capital and ratios		
Supervisory capital	64.621.056	55.993.258
Weighted risk assets	364.848.408	394.603.418
Supervisory capital / Weighted assets (total capital ratio)	17,71%	14,19%
Total assets	939.113.407	995.644.430

PROFITABILITY INDICATORS					
	31/12/2023	31/12/2022			
Financial margin / Intermediation margin	66,90%	66,01%			
Service margin / Intermediation margin	33,10%	33,99%			
Cost / Income ratio	55,06%	68,39%			
Operating profit / Intermediation margin	44,94%	31,61%			
Leverage (medium assets/medium equity)	10,14%	11,46%			
ROA e.o.p.	0,60%	0,11%			
ROE e.o.p.	5,97%	1,21%			
ROA e.o.p. before allocation 0.600 mln provision for credit risks	7,48%	1,21%			

Reclassified balance sheet schedules

RECLASSIFIED ASSETS	31/12/2023	31/12/2022	CHANGE		COMPOSITION	
			Absolute	%	31/12/2023	31/12/2022
Cash and cash equivalents	4.482.087	8.055.774	-3.573.686	-44,36%	0,48%	0,81%
Loans to banks	163.571.696	166.016.695	-2.444.999	-1,47%	17,42%	16,67%
Loans to customers	277.856.002	331.497.418	-53.641.417	-16,18%	29,59%	33,29%
Financial assets	236.834.365	233.887.120	2.947.246	1,26%	25,22%	23,49%
Shareholdings	13.467.854	13.240.015	227.840	1,72%	1,43%	1,33%
Tangible fixed assets	115.513.060	103.802.987	11.710.073	11,28%	12,30%	10,43%
Intangible fixed assets	2.200.816	1.004.294	1.196.522	119,14%	0,23%	0,10%
Other assets	125.187.527	138.140.128	-12.952.601	-9,38%	13,33%	13,87%
Total assets	939.113.407	995.644.430	-56.531.022	-5,68%	100,00%	100,00%

RECLASSIFIED LIABILTIES	31/12/2023	31/12/2022	CHANGE		COMPOSITION	
			Absolute	%	31/12/2023	31/12/2022
Due to banks	1.932.012	3.129.847	-1.197.835	-38,27%	0,21%	0,31%
Due to customers	534.578.366	636.981.825	-102.403.458	-16,08%	56,92%	63,98%
Debts represented by securities	210.166.827	161.664.475	48.502.352	30,00%	22,38%	16,24%
Other liabilities	93.591.086	102.744.431	-9.153.345	-8,91%	9,97%	10,32%
Provisions for risks and charges	1.843.326	1.222.085	621.242	50,83%	0,20%	0,12%
Provision for non-adjustable credit risks	600.000	600.000	-	-	0,06%	0,06%
Provision for general financial risks	1.423.222	-	1.423.222	100,00%	0,15%	-
Subordinated liabilities	2.400.922	2.400.988	-66	-	0,26%	0,24%
Net equity	92.577.646	86.900.779	5.676.867	6,53%	9,86%	8,73%
- Capital and reserves	86.968.151	85.849.602	1.118.549	1,30%	9,26%	8,62%
- Retained losses	-	-	-	-	-	-
- Result for the year	5.609.496	1.051.178	4.558.318	433,64%	0,60%	0,11%
Total liabilities	939.113.407	995.644.430	-56.531.022	-5,68%	100,00%	100,00%

RECLASSIFIED PROFIT AND LOSS ACCOUNT	31/12/2023	% Intermed. margin	31/12/2022 proforma	% Intermed. margin	CHANGE	
					Absolute	%
Interest income and similar charges	24.463.527	93,77%	14.408.119	70,41%	10.055.408	69,79%
of which a) Interest income to customers	15.401.196	59,03%	10.099.198	49,35%	5.301.998	52,50%
b) Interest income to banks	3.392.128	13,00%	253.468	1,24%	3.138.660	1.238,29%
c) Interest income on debt securities	5.670.203	21,73%	4.055.452	19,82%	1.614.751	39,82%
Interest expense and similar charges	-7.818.830	-29,97%	-2.428.540	-11,87%	-5.390.290	221,96%
of which a) Interest expense to customers	-4.001.244	-15,34%	-710.606	-3,47%	-3.290.638	463,07%
b) Interest expense on payables represented by securities	-3.815.068	-14,62%	-1.707.493	-8,34%	-2.107.575	123,43%
c) Interest expense to banks	-2.517	-0,01%	-10.441	-0,05%	7.923	-75,89%
Interest margin	16.644.697	63,80%	11.979.579	58,54%	4.665.119	38,94%
Dividends and other revenues	807.775	3,10%	1.528.558	7,47%	-720.783	-47,15%
Financial margin	17.452.472	66,90%	13.508.136	66,01%	3.944.336	29,20%
Net commissions	5.212.558	19,38%	5.187.288	25,35%	25.271	0,49%
of which a) Commission income	7.310.287	28,02%	7.036.476	34,39%	273.812	3,899
b) Commission expense	-2.097.729	-8,04%	-1.849.188	-9,04%	-248.541	13,44%
Profit and losses on financial transactions	1.288.239	4,94%	108.097	0,53%	1.180.142	1.091,749
of which a) On securities	968.239	3,71%	-244.360	-1,19%	1.212.599	496,249
b) On exchanges	320.000	1,23%	352.457	1,72%	-32.457	-9,21%
Other net revenues *	2.135.096	8,18%	1.659.425	8,11%	475.671	28,669
Service margin	8.635.893	33,10%	6.954.810	33,99%	1.681.083	24,179
Intermediation margin	26.088.365	100,00%	20.462.947	100,00%	5.625.419	27,49%
Operating costs	-14.364.730	-55,06%	-13.994.277	-68,39%	-370.453	2,65%
of which a) Personnel expenses	-7.849.656	-30,09%	-8.277.092	-40,45%	427.436	-5,16%
b) Other administrative expenses	-5.126.789	-19,65%	-4.412.968	-21,57%	-713.821	16,18%
c) Tangible and Intangible fixed assets adjustments*	-1.388.285	-5,32%	-1.304.216	-6,37%	-84.069	6,45%
Operating result	11.723.635	44,94%	6.468.670	31,61%	5.254.965	81,249
Provisions and net adjustments on credits	-4.806.317	-18,42%	-4.417.078	-21,59%	-389.239	8,819
Provisions for credit risks	-	-	-600.000	-2,93%	600.000	-100,009
Provisions for risks and charges	-594.591	-2,28%	-90.000	-0,44%	-504.591	560,669
Value adjustments to financial fixed assets	139.737	0,54%	-386.310	-1,89%	526.047	-136,179
Value adjustments on non-instrumental fixed assets	-	-	-	-	-	
Income from ordinary activities	6.462.465	24,77%	975.282	4,77%	5.487.183	562,639
Extraordinary profit (loss)	570.253	2,19%	75.895	0,37%	494.358	651,379
Variation of the general banking risk fund (+/-)	-1.423.222	-5,46%	-	-	-1.423.222	100,009
Tax on income	-	-	-	-	-	
Result for the year	5.609.496	21,50%	1.051.178	5,14%	4.558.318	433,64%

^{*} net of the share capital accrued during the year, relating to the lease payments for the assets covered by the financial leasing agreements

Results for the year 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 2023 Financial Year closed with a positive operating result of €5.609 million, a strong increase over the previous year's performance, which showed a profit of €1.051 million, an increase of 433.64% (+4.558 million).

This result was positively affected by the sustained rise in interest rates, which occurred as early as 2022 and continued in the following financial year, leading to an increase in profitability, primarily in terms of net interest income, with the latter increasing by €4.665 million (+38.9%) compared to last year. Dividends decreased by €0.720 million (-47.15%, partly due to the lower presence of financial instruments with such characteristics). Overall, the financial margin saw an absolute increase of €3.944 million (+29.20%), while the services margin increased by €1.681 million (+24.17%). These performances supported the maintenance of substantial net value adjustments on loans of €4.806 million, as well as additional provisions for risks and charges and general financial risks of €2.017 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 €17.452 million against €13.508 million in 2022 (+€3.944 million).

The surge in the margin was affected by the interest rate trend that continued throughout 2023, which led to an increase in the contribution of loans to customers, despite a lower demand for loans due to the higher cost of money supply (+5.302 million, +52.5%), interbank deposits (+3.139 million, +1,238.3%), as well as the proprietary securities portfolio (+1.615 million, +39.8%).

However, the rate course also led to an increase in interest expense recognized to customers, due to the adjustment dynamics present on the interest-bearing liability items. Finally, the robust contribution of dividends in the invested stock of the debt and equity securities portfolio should be emphasized, which, compared to the previous year, shows a decrease of -0.720 million (-47.15%).

FINANCIAL MARGIN FORMATION	31/12/2023	31/12/2022	CHANG	SE .	% Of intere	st margin
			Absolute	%	31/12/2023	31/12/2022
Interest income on loans to customers	15.401.196	10.099.198	5.301.998	52,50%	88,25%	74,76%
Interest expense on amounts due to customers	-1.951.452	-500.909	-1.450.542	289,58%	-11,18%	-3,71%
Interest expense on securities liabilities (CD bonds)	-3.815.068	-1.707.493	-2.107.575	123,43%	-21,86%	-12,64%
Margin customers	9.634.676	7.890.796	1.743.880	22,10%	55,21%	58,42%
Interest income on debt securities	5.670.204	4.055.452	1.614.751	39,82%	32,49%	30,02%
Interest expense on debts represented by securities (repo)	-2.049.793	-209.697	-1.840.096	877,50%	-11,74%	-1,55%
Financial investments margin	3.620.411	3.845.755	-225.344	-5,86%	20,74%	28,47%
Banking margin	13.255.087	11.736.551	1.518.536	12,94%	75,95%	86,89%
Interest income from credit institutions	3.392.128	253.468	3.138.660	1238,29%	19,44%	1,88%
Interest expense from credit institutions	-2.517	-10.441	7.923	-75,89%	-0,01%	-0,08%
Interbank margin	3.389.611	243.027	3.146.583	1294,74%	19,42%	1,80%
Dividends and other income	807.775	1.528.558	-720.783	-47,15%	4,63%	11,32%
Financial margin	17.452.472	13.508.136	3.944.336	29,20%	100,00%	100,00%

Intermediation margin

Net interest and other banking income, at €26.088m, was up by €5.625m (+27.49%) from the previous year. The tables below note that the increase in net interest income, commented on 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 contributed, albeit to a lesser extent than in the previous year, to the positive performance of net interest and other banking income. The result of securities management shows a positive and recovering contribution compared to the previous year, thanks to the recovery of market prices, as a result of the changes in the monetary policies undertaken by the main central banks, European and U.S. (interest rate and inflationary scenario), although still in the presence of the continuation of the Russian-Ukrainian conflict that influences volatility. In absolute value, the component of profits and losses from financial transactions is positive by €1.288 million, thanks also to the contribution of trading in currencies and funds under San Marino law present in the trading portfolio. The margin on services, as of December 2023, amounting to €8.635 million, up from the final 2022 figure (+24.17%), was affected by improved performance on the profit and loss segment from financial transactions as explained above; on the net commission side, amounting to €5.212 million, there was substantial confirmation of the figure, +€0.025 million (+0.49%). The main commission increases were manifested: in securities brokerage and retrocessions for the distribution of insurance products, in collection and payment services and credit/ debit card issuing/management. Among other operating income and expenses there was an overall increase of €0.475 million (+28.66%) also resulting from a higher contribution from rental income from properties put to income

				1		
PROFIT AND LOSS ACCOUNT	31/12/2023	31/12/2022	CHANGE		% Of intermediation margin	
			Absolute	%	31/12/2023	31/12/2022
Interest margin	16.644.697	11.979.579	4.665.119	38,94%	63,80%	58,54%
Dividends and other revenues	807.775	1.528.558	-720.783	-47,15%	3,10%	7,47%
Intermediation revenues and other	8.635.893	6.954.810	1.681.083	24,17%	33,10%	33,99%
Intermediation margin	26.088.365	20.462.947	5.625.419	27,49%	100,00%	100,00%

INTERMEDIATION REVENUES AND OTHER	31/12/2023	31/12/2022	CHAN	GE	% Of service margin	
			Absolute	%	31/12/2023	31/12/2022
Net commissions	5.212.558	5.187.288	25.271	0,49%	60,36%	74,59%
Commission income	7.310.287	7.036.476	273.812	3,89%	84,65%	101,17%
- Guarantees given	115.598	99.462	16.136	16,22%	1,34%	1,43%
- Investment services	577.797	748.529	-170.733	-22,81%	6,69%	10,76%
of which Receipt and transmission of orders	571.784	741.193	-169.409	-22,86%	6,62%	10,66%
of which Portfolio management of financial instruments	6.013	7.337	-1.324	-18,05%	0,07%	0,11%
- Distribution of services and products of third parties other than placement	1.207.716	1.281.347	-73.631	-5,75%	13,98%	18,42%
of which Insurance products	480.357	417.628	62.730	15,02%	5,56%	6,00%
of which Other services or products	727.359	863.719	-136.360	-15,79%	8,42%	12,42%
- Cash-in and payment services	780.767	692.570	88.196	12,73%	9,04%	9,96%
- Issuing/managing credit/debit cards	1.708.645	1.533.229	175.417	11,44%	19,79%	22,05%
- Custodian bank services	216.161	239.072	-22.911	-9,58%	2,50%	3,449
- Storage and administration of financial instruments	307.705	327.654	-19.950	-6,09%	3,56%	4,719
- Currency trading	257.632	202.545	55.087	27,20%	2,98%	2,919
- Trust services	120.913	132.118	-11.205	-8,48%	1,40%	1,909
- Other services	2.017.353	1.779.949	237.404	13,34%	23,36%	25,599
of which Current accounts	1.420.187	1.191.321	228.867	19,21%	16,45%	17,139
of which Cash-ins and payments	121.351	73.467	47.884	65,18%	1,41%	1,069
of which Fees	126.345	121.980	4.364	3,58%	1,46%	1,759
of which Loans granted	245.603	291.640	-46.037	-15,79%	2,84%	4,199
Commissions payable	-2.097.729	-1.849.188	-248.541	13,44%	-24,29%	-26,599
- Collection and payment services	-162.451	-119.655	-42.795	35,77%	-1,88%	-1,729
- Credit/debit card issuing/management	-1.324.619	-1.174.019	-150.600	12,83%	-15,34%	-16,889
- Management services, brokerage, cons.	-521.799	-446.051	-75.748	16,98%	-6,04%	-6,419
- Currency trading	-44.460	-53.976	9.517	-17,63%	-0,51%	-0,789
- Other services	-44.401	-55.486	11.085	-19,98%	-0,51%	-0,80
Profits and losses from financial transactions	1.288.239	108.097	1.180.142	1091,74%	14,92%	1,559
On securities:	968.239	-244.360	1.212.599	-496,24%	11,21%	-3,519
- Trading of securities	572.120	64.578	507.542	785,93%	6,62%	0,939
- Valuation of securities	396.119	-308.938	705.057	-228,22%	4,59%	-4,44
- Currency trading	320.000	352.457	-32.457	-9,21%	3,71%	5,079
- On other transactions	-	-	- -	-	-	•••••
Operating income and expenses	2.135.096	1.659.425	475.671	28,66%	24,72%	23,869
Other income	2.037.644	1.569.211	468.433	29,85%	23,60%	22,569
Expense recoveries	97.453	90.215	7.238	8,02%	1,13%	1,30%
Margin on services	8.635.893	6.954.810	1.681.083	24,17%	100,00%	100,00%

Operating result

PROFIT AND LOSS ACCOUNT	31/12/2023	31/12/2022	CHA	NGE
			Absolute	%
Net interest and other banking income	26.088.365	20.462.947	5.625.419	27,49%
Administrative expenses	-12.976.445	-12.690.060	-286.385	2,26%
- Personnel expenses	-7.849.656	-8.277.092	427.436	-5,16%
- General expenses	-4.958.997	-4.264.149	-694.848	16,30%
- Indirect taxes and duties	-167.792	-148.819	-18.973	12,75%
Value adjustments on tangible and intangible fixed assets	-1.388.285	-1.304.216	-84.069	6,45%
Total operating costs	-14.364.730	-13.994.277	-370.453	2,65%
Operating income	11.723.635	6.468.670	5.254.965	81,24%

Total operating costs at the end of December 2023 amounted to €14.364 million, registering an increase of €0.370 million (+2.65%) compared to 2022.

Personnel expenses, amounting to €7.850 million, show a decrease of approximately €0.427 million (-5.16%) compared to the same period in 2022. The decrease is mainly attributable to the reduction in headcount, which at the end of 2023 stood at 107 resources, a decrease of 4 resources compared to the previous year, in addition to the 12 exits recorded in the three-year period 2020-2022 and the recognition of bonuses for performance achieved by the bank to employees, provided for in the collective bargaining agreement, which decreased compared to the previous year.

Other administrative expenses recorded a value of €4.958 million, up by €0.694 million (+16.30%) from the previous year. The increase in expenses is attributable to maintenance and training for newly acquired computer software license (+138%), professional consulting expenses (+93.1%), property maintenance expenses (+77.1%) and condominium expenses (+121.6%). On many other categories of administrative expenses, reductions and efficiencies continue, from machinery maintenance expenses (-24.2%), to other marketing expenses (-48.02%) and reimbursed external collaborator expenses (-85.8%), reflecting the focus on the expense process and cost optimization.

Depreciation on tangible and intangible capital assets was 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 and amounted to €1.388 million, an increase of €0.084 million (+6.45%) compared to the corresponding item in 2022. The change is due to capital investments pertaining to the bank's primary IT system.

Writebacks/Value adjustments on financial assets affected the fund in the Green Arrow Estate fixed asset portfolio, with a writeback of €0.158 million, to which is added, with the opposite sign, the write-down of the investee company BAC

Real Estate Srl, for €0.018 million, following alignment to the Book value as of 31 December 2023.

There were no write-downs on the Group's other investee companies, namely the Supervised Entities BAC Investments SG Spa and BAC Life Spa, as well as BAC Trustee Spa (formerly BAC Fiduciaria Spa), which recorded positive results for the year; dividend distribution policies will determine their effects, in cash, in 2024.

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

At the end of December 2023, Net Adjustments on Loans and Provisions for Guarantees and Commitments amounted to €4.806 million, broken down as follows: €6.825 million for provisions and adjustments on loans and €2.019 million for writebacks, an increase of 5.48% over the previous year. As a result of the introduction of CBSM Regulation 2024/01 (Miscellaneous), recoveries from collections following the write-off of receivables in previous years, amounting to €0.283 million, are included in the item Write-backs of value adjustments on receivables and on provisions for guarantees and commitments, unlike in previous years, as they were recorded under contingent assets. The adjustments made in 2023 include the accrual of suspended AQR adjustments, amounting to €4.581 million, resulting from the definition in 2019 of the total adjustments resulting from the Asset Quality Review (AQR) exercise that began in 2016, in line with the provisions of Article 40 of Law 173/2018 and special authorization of the Supervisory Authority.

We also highlight the presence of provisions for risks and charges for a total of €1.287 million, set up to deal with potential risks arising from lawsuits and proceedings in progress, as well as future possible contractual fulfillments, prudentially replenished during the year for an additional €0.604 million.

Finally, as a precautionary measure, a provision was made for general financial risk funds in the amount of €1.423 million (item 90 of the Statement of Assets and Liabilities - Liabilities).

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 amounted to $\{6.462 \text{ million}, \text{ an increase over the year } 2022 \text{ of } \{5.626 \text{ million (+673.30\%)}, \text{ despite the large and prudent provisions made as adjustments to loans, for additional risks, including general risks, and charges.}$

Extraordinary revenues and charges

The Bank recorded extraordinary revenues of €0.663million and extraordinary charges of -€0.093m.

Extraordinary revenue includes the following main items: €0.032m for adjustments on administrative expenses; €0.576m for the recording of deferred tax assets on the tax credit for financial sector losses under Law 154/2019 art 11

Extraordinary charges include fractional miscellaneous items totaling €0.47 million.

Income tax

The tax rate is 0% and is an expression of the calculation of taxes in compliance with tax regulations. In 2023 financial year, no taxable matter arises due to the presence of tax loss carry forwards as well as deductions from the application of Article 11 pursuant to Law 154/2019.

The formation of the operating result

For explanatory purposes, the following table reclassifies the steps leading from operating result to net profit for the period, compared with the 2022 data.

PROFIT AND LOSS ACCOUNT	31/12/2023	31/12/2022	CHANGE	
			Absolute	%
Operating income	11.723.635	6.468.670	5.254.965	81,24%
Provisions and Value Adjustments	-5.261.170	-5.493.388	232.218	-4,23%
- Provisions and Value Adjustments on Receivables	-6.825.030	-10.105.471	3.280.441	-32,46%
- Reversals of value adjustments on receivables and provisions	2.018.713	5.688.393	-3.669.680	-64,51%
- Provisions for Credit Risks	-	-600.000	600.000	100,00%
- Provisions for risks and charges	-594.591	-90.000	-504.591	560,66%
- Value Adjustments on Financial Assets Financial assets	139.737	-386.310	526.047	-136,2%
- Value Adjustments on Owned Non-Profit Furniture/Furniture	-	-	-	-
Profit from ordinary activities	6.462.465	975.282	5.487.183	-562,63%
Margin on investment securities	-	-	-	-
Extraordinary income	662.801	487.417	175.384	35,98%
Extraordinary expenses	-92.548	-411.521	318.973	-77,51%
Balance extraordinary income and expenses and margin on investment securities	570.253	75.896	494.357	651,36%
Profit before tax	7.032.718	1.051.178	5.981.540	569,03%
Income tax for the year	-	-	-	-
Change in reserve for general banking risks (+/-)	-1.423.222	-	-1.423.222	100,00%
Net income	5.609.496	1.051.178	4.558.318	-433,64%

The 2023 financial year closes with a net profit of €5.609 million, compared to an operating income of €1.051 million (+433.64%) as of the end of December 2022.

Statement of assets and liabilities

Loans to customers

Net loans to customers as of 31 December 2023 amounted to €277.856 million, a decrease of €53.641 million from the previous year (-16.18%).

Loans to customers and loan portfolio quality

DESCRIPTION	31/12/2023 31/12/2022		CHANGE		COMPOSITION	
			Absolute	%	31/12/2023	31/12/2022
Total gross loans	291.425.306	397.543.992	-106.118.686	-26,69%	100,00%	100,009
Analytical and flat-rate value adjustments	13.569.304	66.046.574	-52.477.270	-79,45%	4,66%	16,619
of which Analytical adjustments on doubtful loans	12.364.139	62.809.335	-50.445.195	-80,31%	4,24%	15,809
Coverage ratio	4,66%	16,61%	-	-	-	
Total loans net of provisions for risk on credits	277.856.002	331.497.418	-53.641.417	-16,18%	95,34%	83,39%
Loans net of non-performing loans	273.650.109	313.907.226	-40.257.118	-12,82%	93,90%	78,969
Non-performing/performing loans	6,10%	21,04%	-	-	-	
Non-performing loans net of advances	17.775.197	83.636.766	-65.861.569	-78,75%	6,10%	21,049
Non-performing loans net of advances	6.844.256	49.632.903	-42.788.646	-86,21%	2,35%	12,489
Analytical value adjustments	6.844.256	49.632.903	-42.788.646	-86,21%	2,35%	12,489
Coverage ratio	38,50%	59,34%	-	-	-	
Non-performing loans net of value adjustments	10.930.941	34.003.863	-23.072.922	-67,85%	3,75%	8,55%
Total impaired loans	13.244.602	11.631.856	1.612.747	13,86%	4,54%	2,939
Loss forecasts	1.929.866	1.737.463	192.402	11,07%	0,66%	0,449
Analytical value adjustments	1.929.866	1.737.463	192.402	11,07%	0,66%	0,449
Coverage ratio	14,57%	14,94%	-	-	-	
Impaired loans net of value adjustments	11.314.737	9.894.392	1.420.344	14,36%	3,88%	2,499
Total past due loans	70.146	2.047.909	-1.977.763	-96,57%	0,02%	0,529
Loss forecasts	3.507	12.314	-8.807	-71,52%	- '	
Flat-rate value adjustments	3.507	12.314	-8.807	-71,52%	-	
Coverage ratio	5,00%	0,60%	-	-	-	
Past due loans net of value adjustments	66.638	2.035.594	-1.968.956	-96,73%	0,02%	0,519
Total restructured loans	14.348.361	27.430.723	-13.082.362	-47,69%	4,92%	6,90°
Loss forecasts	3.586.510	11.426.654	-7.840.144	-68,61%	1,23%	2,87
Analytical value adjustments	3.586.510	11.426.654	-7.840.144	-68,61%	1,23%	2,879
Coverage ratio	25,00%	41,66%	-	-	-	
Restructured loans net of value adjustments	10.761.851	16.004.069	-5.242.218	-32,76%	3,69%	4,039
Total loans to at-risk countries	70	104	-33	-31,97%	-	
Loss forecasts	-	1	-	-33,33%	-	
Flat-rate value adjustments	-	1	-	-33,33%	-	
Coverage ratio	0,48%	0,49%	-	-	-	
Loans to at-risk countries net of value adjustments	70	103	-33	-31,97%	-	
Total faulty loans	45.438.376	124.747.358	-79.308.982	-63,58%	15,59%	31,389
Loss forecasts	12.364.139	62.809.335	-50.445.195	-80,31%	4,24%	15,809
Value adjustments	12.364.139	62.809.335	-50.445.195	-80,31%	4,24%	15,80
Coverage ratio	27,21%	50,35%	-		-	.0,00
Faulty loans net of value adjustments	33.074.237	61.938.022	-28.863.785	-46,60%	11,35%	15,58
Total performing loans	245.986.930	272.796.636	-26.809.706	-9,83%	84,41%	68,62
Value adjustments	1.205.165	3.237.239	-2.032.074	-62,77%	0,41%	0,819
Coverage ratio	0,49%	1,19%				

Gross impaired loans at the end of 2023 stood at €45.438 million, down €79.308 million (-63.58%) from the previous year.

A significant factor in the reduction of doubtful loans was the finalization of the system securitization transaction under Law 151/2021, which was also reported in the previous paragraphs. In December 2023, BAC sold a stock of NPLs with a gross nominal value of €57.983 million (values as of 31 December 22) for a net countervalue of €17.730 million to Veicolo di Sistema. Veicolo di Sistema followed up the sale with the issuance of global notes in three tranches. The senior notes, listed on the multilateral trading system managed by Borsa Italiana, called Euronext Access Milan, and subscribed by institutional investors, were acquired by BAC at a countervalue of €6.258 million, while the mezzanine notes, valued at €4.376 million, and the junior notes, valued at €7.034 million, were subscribed by BAC itself. Securitization specifically is a financial practice in which a bank transfers part of its loan portfolio to a separate financing structure, known as a securitization vehicle. This transaction allows the bank to free up financial resources, reduce its exposure to credit risk and improve its financial position, enabling it to free up capital and improve the overall quality of the loan portfolio maintained by the bank.

However, during the year ended, BAC continued its policy of close monitoring and recovery on non-performing positions, contributing to the highlighted contraction.

Credit quality

The Bank continued with the constant monitoring of credit positions in 2023. The effective management of impaired positions, net of the securitization transaction, produced returns for collections of €4.073 million on non-performing loans in 2023.

Through the adoption of credit preservation practices and prior examination of borrowers' creditworthiness, BAC reflects a commitment to prudent and responsible credit risk management, which is essential to the bank's long-term sustainability and stability and is its basic guiding principle of credit policy.

As mentioned above, 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, i.e., to spread the amount of the remaining €42.585 million of write-downs over 10 fiscal years, starting in 2019; therefore, the amount corresponding to the fifth tenth, or €4.581 million, was recognized in the profit and loss account in the financial statements as of 31/12/2023.

The incidence of non-performing loans (at gross values) is 6.10% of total loans to customers (compared to 21.04% at the end of 2022), against a nominal €17.775 million, down from last year by -€65.861 million (€83.636 million 2022); in the same period, system data show a ratio of non-performing loans to total loans (gross values) of 9.48%³; while gross doubtful loans (thus also including other categories of non-performing loans under CBSM Regulation 2007/07) account for 15.59% of total gross loans to customers amounting to €45.438 million, down from the previous year by -€79.308 million (-63.58%), against a

system figure of 23.7%4.

Coverage ratios for non-performing loans, as a result of adjustments made during the year, were 27.21%, down from the previous year due to the sharp decline in NPL loans (-23.14%); the system coverage ratio on doubtful loans was 33.6%.

Performing loans, as of 31/12/2023 amounted to €245.986 million (€272.796 million as of 31 December 2022), a write-down of 0.5% was made on these loans in line with what was expressed by the historical-statistical analysis carried out on the transition matrices over an eight-year period (2016-2023).

Overall, therefore, total loans and advances to customers amount to a nominal €291.425 million, against which value adjustments of €13.569 million were made; the overall coverage ratio of loans and advances to customers was 4.66%, compared to 16.61% as of 31 December 2022. The decrease found is motivated by the completion of the securitization transaction and the write-off of gross doubtful loans carried out during the year.

³ Quarterly Information Bulletin of Central Bank Rep. of San Marino 4th Quarter 2023

 $^{^{\}rm 4}$ Quarterly Information Bulletin of Central Bank Rep. of San Marino 4th Quarter 2023

Assets under management

The year just ended attests to the values of total deposits from customers at €1,437.66 million (including Custodian Bank activity for the company BAC Investments SG Spa), in substantial stability compared to the previous year (-0.10%) but with a recomposition in the various forms of deposits, attributable to market dynamics that have seen a preference by customers for investments in listed financial instruments, thanks to the significant recovery in market profitability.

The following table shows customer financial assets as of 31 December 2023, broken down by technical form and included in the aggregates of direct and indirect deposits in comparison with 2022 figures.

Customer deposits

DESCRIPTION	31/12/2023	31/12/2022	CHANG	SE .	COMPOS	SITION
			Absolute	%	31/12/2023	31/12/2022
A) Direct deposits	748.452.326	801.619.023	-53.166.697	-6,63%	100%	100%
Savings deposits	1.471.373	2.013.349	-541.976	-26,92%	0,20%	0,25%
Customers' euro and foreign currency accounts	423.055.241	500.214.319	-77.159.078	-15,43%	56,52%	62,40%
Repurchasing agreements	67.990.077	72.782.366	-4.792.288	-6,58%	9,08%	9,08%
Other funds	42.061.675	61.971.791	-19.910.116	-32,13%	5,62%	7,73%
Certificates of deposit	210.166.827	161.664.475	48.502.352	30,00%	28,08%	20,17%
Internal cheques	1.306.211	571.736	734.475	128,46%	0,17%	0,07%
Subordinate liabilities	2.400.922	2.400.988	-66	-	0,32%	0,30%
B) Managed deposits (market value)	3.590.835	6.792.876	-3.202.041	-47,14%		
of which Cash	276.317	3.567.527	-3.291.210	-92,25%		
of which Subordinate Loans	-	-	-	-		
C) Administered deposits (market value)	584.167.817	528.775.603	55.392.214	10,48%		
of which Bac Investments SG funds	109.374.923	112.014.219	-2.639.296	-2,36%		
of which Subordinate loans*	2.395.000	2.395.000	-	-		
D) Custodian bank activity	109.374.923	112.014.219	-2.639.296	-2,36%		
of which Cash	5.249.412	4.109.340	1.140.072	27,74%		
of which Subordinate loans	-	-	-	-		
Total deposits	1.437.665.172	1.439.129.854	-1.464.682	-0,10%		

^{*} net of accrued interest

Direct deposits amounted to €748.452 million, down by €53.167 million (-6.63%) compared to the end of 2022, according to the dynamics shown in the table, from which we can see a greater preference toward maturity forms of deposits (certificates of deposit) and a reduction in deposits to institutional investors (other funds).

The contraction in direct deposits was affected by the rise in yields recorded by bonds, particularly government bonds, that occurred in international financial markets, driven by the downsizing of inflation, which directed savers' orientation toward these forms of investment at the expense of traditional direct deposit products.

The Bank carried out a subordinated bond issue with an effective date of 01 December 2020 and maturity of 2025, reserved for professional customers 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, as required by the Supervisory Authority, in Indirect deposits between Administered and Managed.

Indirect deposits of €697.133 million (with inclusion of the Custodian Bank) conversely show an increase of €49.550 million (+7.65%) compared to the 2022 figure of €647.582 million.

In 2022, BAC investments SG funds were recognized by the Supervisory Authority for adherence to the European "SFDR" (Sustainable Finance Disclosure Regulation), for Funds' investment policies responsibly oriented towards the consideration of environmental, social and governance (ESG) risks and opportunities on behalf of subscribers; therefore, ICOs that implement policies to mitigate sustainability risks are favored in investment choices. The certification obtained demonstrates the quality of 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.

Financial investments

The total stock of financial investments increased in absolute terms by €2.947 million (+1.26%) compared to the year ended as of 31 December 2022; the Bank in the year under review carried out a re-composition of the securities portfolio in favor of debt securities, mainly state-issued, benefiting on the free portfolio from more dynamic trading. The securities portfolio includes debt financial instruments, Collective Investment Funds and equities listed on regulated markets, structured products, as well as Senior and Junior class securities subscribed by the Bank, as originator, following the system securitization transaction, described of the previous paragraphs.

On the fixed financial assets segment, there was an overall increase of €1.509m (+0.98%).

Investment securities include the Green Arrow Private Debt Fund, amounting to €3.032 million, allocated following the liquidation of the Tower Credit Opportunities PLC Fund on 31 December 2021, which during the year recognized dividends of €0.098 million, capital redemptions of €1.700 million and revaluations of €0.157 million, based on the NAV reported as of 31 December 2023.

FINANCIAL ASSETS	31/12/2023	31/12/2022	CHAN	IGE
			Absolute	%
Investment securities	156.082.206	154.572.881	1.509.325	0,98%
of which Bonds	153.049.801	150.341.148	2.708.654	1,80%
Trading securities	80.752.159	79.314.239	1.437.920	1,81%
of which Bonds	57.628.328	41.078.792	16.549.536	40,29%
Total financial portfolio	236.834.365	233.887.120	2.947.246	1,26%

FINANCIAL ASSETS - DEBT SECURITIES Nature of Issuer	31/12/2023	31/12/2022	CHANGE	
			Absolute	%
Investment securities	153.049.802	150.341.148	2.708.654	1,80%
of which Public Issuers	19.369.754	24.464.790	-5.095.037	-20,83%
of which Credit issuers	38.933.420	38.505.609	427.812	1,11%
of which Financial issuers	85.449.775	77.176.786	8.272.989	10,72%
of which Other	9.296.853	10.193.963	-897.110	-8,80%
Trading securities	57.628.328	41.078.792	16.549.536	40,29%
of which Public issuers	16.501.630	85.467	16.416.163	19207,61%
of which Credit issuers	27.130.623	30.530.593	-3.399.970	-11,14%
of which Financial issuers	8.047.138	6.671.535	1.375.603	20,62%
of which Other	5.948.936	3.791.197	2.157.739	56,91%
Total debt securities	210.678.129	191.419.940	19.258.189	10,06%

FINANCIAL ASSETS - DEBT SECURITIES Fixed/variable rate	31/12/2023	31/12/2022	CHAI	NGE
			Absolute	%
Investment securities	153.049.801	150.341.147	2.708.654	1,80%
of which Fixed-rate	64.648.006	72.227.480	-7.579.474	-10,49%
of which Variable rate	88.401.795	78.113.667	10.288.128	13,17%
Trading securities	57.628.328	41.078.793	16.549.535	40,29%
of which Fixed rate	11.710.016	5.449.456	6.260.560	114,88%
of which Variable rate	45.918.312	35.629.337	10.288.975	28,88%
Total debt securities	210.678.129	191.419.940	19.258.189	10,06%

AFINANCIAL ASSETS -BONDS Residual life	31/12/2023	31/12/2022	CHAN	GE
			Absolute	%
Investment securities	153.049.801	150.341.148	2.708.654	1,80%
- Within 12 months	4.960.044	2.005.941	2.954.103	147,27%
- Within 5 years	36.513.316	34.968.311	1.545.005	4,42%
- Over 5 years	108.697.749	110.630.758	-1.933.009	-1,75%
- Maturity unallocated	2.878.692	2.736.137	142.555	5,21%
Trading securities	57.628.328	41.078.792	16.549.536	40,29%
- Within 12 months	10.159.034	2.482.498	7.676.536	309,23%
- Within 5 years	36.426.810	15.713.266	20.713.544	131,82%
- Over 5 years	7.012.523	22.883.028	-15.870.505	-69,35%
- Maturity unallocated	4.029.960	-	4.029.960	100,00%
Total debt securities	210.678.129	191.419.940	19.258.189	10,06%

The investment portfolio sees, in absolute terms, an increase of €1.437 million (+1.81%), with a recomposition of the bond portfolio compared to 31 December 2022 (+16.549 million); sales were executed during the year to enjoy opportunities to realize profits.

The investment portfolio includes two mutual funds under San Marino law totaling €15.267 million; these are unlisted instruments as described below:

- Loan Management fund for €3.767 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 2023, the fund recorded a NAV writedown of €0.537 million; the write-down was recorded in profits and losses from financial transactions, due to the forfeiture of tax benefits under Law 223 of 23 December 2020, effective 01 January 2021.
- Fondo Odisseo for €11.500 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 Relationships in Block from BNS Spa (formerly Credito Industriale Sammarinese Spa) subject to bank resolution pursuant to Law 102 of 14 June 2019. The finalization took place through two closings, the first formalized 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 were deducted based on the NAV of 31 December 2019 and 31 December 2020 for a total of €1.552 million. These write-downs had no effect on the profit and loss account, as they were charged, according to the legislation regulating the Fund (Law no. 72 of 27 June 2013), as a tax credit. The change in NAV that occurred in 2021 and 2022, conversely, was recorded as a credit to SGA Spa (formerly BNS), by virtue of the dotting agreement signed by the banks and following the entry into force of the aforementioned Law No. 223 dated 23 December 2020, as specified above, which limited its tax benefits. The change in NAV calculated as of 31 December 2023 showed a capital gain that was recorded in profits and losses from financial transactions, although offset against the credit recorded in the 2021-2022 fiscal years.

Interbank

As part of its financial activities, the Bank recorded a positive net interbank balance of €161.639 million at the end of 2023. Compared to the corresponding evidence at the end of 2022, the balance recorded a decrease in net assets of €1.247 million (-0.77%). The level of net position testifies to the near absence of interbank borrowing, confirming the constant safeguards on liquidity, 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 2023-2025 three-year Business Plan and the "Risk Appetite Framework" Regulations, 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	31/12/2023	31/12/2022	CHANGE		COMPOSITION	
			Absolute	%	31/12/2023	31/12/2022
Loans to banks	163.571.696	166.016.695	-2.444.999	-1,47%	100,00%	100,00%
- In euro	156.078.647	159.020.533	-2.941.887	-1,85%	95,42%	95,79%
- In foreign currency	7.493.049	6.996.161	496.888	7,10%	4,58%	4,21%
Amounts due to banks	1.932.012	3.129.847	-1.197.835	-38,27%	100,00%	100,00%
- In euro	1.931.172	3.128.977	-1.197.805	-38,28%	99,96%	99,97%
- In foreign currency	840	870	-30	-3,47%	0,04%	0,03%
Net position	161.639.684	162.886.848	-1.247.164	-0,77%	100,00%	100,00%
- In euro	154.147.475	155.891.557	-1.744.082	-1,12%	95,36%	95,71%
- In foreign currency	7.492.209	6.995.291	496.918	7,10%	4,64%	4,29%

DESCRIPTION	31/12/2023	31/12/2022	CHANGE		COMPOSITION	
			Absolute	%	31/12/2023	31/12/2022
Loans and advances to banks	163.571.696	166.016.695	-2.444.999	-1,47%	100,00%	100,00%
- Short -term (up to 12 months)	138.812.738	139.496.082	-683.344	-0,49%	84,86%	84,03%
- Medium - and long-term (over 12 months)	24.758.958	26.520.612	-1.761.656	-6,64%	15,14%	15,97%
Due to banks	1.932.012	3.129.847	-1.197.835	-38,27%	100,00%	100,00%
- Short -term (up to 12 months)	1.252.864	905.075	347.790	38,43%	64,85%	28,92%
- Medium - and long-term (over 12 months)	-	-	-	-	-	-
Net position	161.639.684	162.886.848	-1.247.164	-0,77%	100,00%	100,00%
- Short -term (up to 12 months)	137.559.874	138.591.008	-1.031.134	-0,74%	85,10%	85,08%
- Medium - and long-term (over 12 months)	24.758.958	26.520.612	-1.761.655	-6,64%	15,32%	16,28%

Shareholdings

DESCRIPTION	31/12/2023	31/12/2022	CHANGE		COMPOSITION	
			Absolute	%	31/12/2023	31/12/2022
Shareholdings	5.615.842	5.620.040	-4.198	-0,07%	41,70%	42,45%
Investments in group companies	7.852.013	7.619.975	232.038	3,05%	58,30%	57,55%
Total shareholdings	13.467.854	13.240.015	227.840	1,72%	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 mark an increase of €0.232 million, attributable to revaluations determined by the capitalization of profits earned during the year allocated to reserves, as well as to contributions and acquisitions made during the year.

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.

Please refer to Section 6. Equity Investments of the Notes to the Financial Statements for a fuller explanation.

Completing the scope of the holdings are:

- the company S.S.I.S. Spa (Società Sistemi Informatici Sammarinese) jointly owned 50% with Cassa di Risparmio della Repubblica di San Marino Spa;
- BKN301 S.p.A, 19.22% jointly owned with other San Marino banks, operating
 in the business of online payments/capital transfers, design, implementation
 and supply of application software, IT assets and digital assets, including
 blockchain and virtual assets;
- the shareholding in NCO Immobiliare Srl, established at the end of 2022 jointly with other lending institutions, aimed at the best protection of their respective joint claims against a large debtor, recorded at a value of €0.021 million and 29% held;
- the company S3 Special Servicer Sammarinese s.r.l, as already mentioned in the introductory notes, incorporated at the end of 2023, to perform, on behalf of Veicolo di Sistema s.r.l., as well as IGRC S.p.A., the role of Special Servicer of the securitization. BAC holds 33.33% of the share capital, together with Banca di San Marino Spa and Cassa di Risparmio della Repubblica di San Marino Spa, with equal stakes.

Relations with subsidiaries and affiliates

Transactions with subsidiaries are part of the Bank's ordinary operations and are conducted at normal market conditions. For the purpose of providing information about the relationships finalized with Group companies, the following tables show the credit/debit relationships maintained with each investee company, relating to the balances of correspondent accounts. In its capacity as the Parent Company, the bank provides outsourced services to its subsidiaries, regulated at market conditions.

ASSETS AND LIABILITIES TO SUBSIDIARIES						
	31/12/2023	31/12/2022				
Assets	-	-				
Due from customers	-	10.311.547				
Bonds and other debt financial instruments	-	-				
Total assets	-	10.311.547				
Liabilities	-	-				
Due to customers	1.517.254	1.887.236				
Debts represented by financial instruments						
Other liabilities	-	-				
Total liabilities	1.517.254	1.887.236				
Guarantees and commitments	-	-				
- Guarantees given	-	-				
- Commitments	-	-				

In order to strengthen the Group's governance over its subsidiaries, it should be noted that, in the interest of the Parent Company BAC, the following corporate officers are on the Boards of Directors of the aforementioned companies:

BAC Trustee SpA

- Members of the Board of Directors: President: Lorenz Berti, Vice Chairman Emanuele Rossini, Director: Silvia Zomegnan.
- Sole Auditor: Sandy Bollini.

BAC Life SpA

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

BAC Real Estate Srl

- · Members of the Board of Directors: Sole Director: Emanuele Rossini;
- Sole Auditor: Stefania Maria Gatti.

SAN MARINO Finanza e Previdenza Srl

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

Transactions with the controlling shareholder (holder of 64.72% of BAC's share capital) and related parties are also part of the Bank's ordinary operations, and are conducted on market terms. Specifically, financial dealings with the controlling shareholder (and related entities) are conducted at arm's length and are represented in loans and advances to and from customers, or guarantees issued on behalf of third parties.

See Tables 6.6 and 6.7 in the explanatory notes to the financial statements for details of financial transactions with investee companies.

Net equity and capital ratios

Net equity

If the draft budget proposal approved by the Directors is accepted at the Shareholders' Meeting and the corresponding allocation of the result for the year, **Net Equity** will stand at **€92.592 million** as of 31 December 2023, compared to **€86.915** million at the end of 2022, an increase of **€5.676** million.

The change in net equity can be attributed to the positive result for the year 2023 and the changes on adjustments to the Group's equity investments recorded in Net Equity 2023.

The Bank's assets are represented below in comparison with the figures for 2022:

DESCRIPTION	31/12/2023	31/12/2022	CHANGE		
			Absolute	%	
Capital and reserves	86.982.529	85.863.980	1.118.549	1,30%	
Share capital - subscribed and paid-up shares	20.880.080	20.880.080	-	-	
Ordinary reserve fund	46.936.389	46.726.154	210.236	0,45%	
Extraordinary reserve fund	-	-	-	-	
Share premium reserve fund	-	-	-	-	
Own share reserve fund	14.378	14.378	-	-	
Non-distributable reserve fund	967.554	126.612	840.942	664,19%	
Revaluation reserves	18.184.127	18.116.756	67.371	0,37%	
Retained loss	-	-	-	-	
Income for the year	5.609.495,63	1.051.178	4.558.318	433,64%	
Total	92.592.024	86.915.157	5.676.867	6,53%	

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, including the profit for the year, stands at €64.621 million, with a Total Capital ratio of 17.71%, an improvement of 3.52 percentage points compared to 31 December 2022, although the suspensions resulting from the AQR adjustments made during 2018 and 2019 are fully deducted from the Regulatory Capital. Since the bank has decided to take advantage from 2019, from a statutory point of view, of the option descending from Article 40 of Law no.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 2023 rests at €22.908 million, down by €4.581 million from 31 December 2022, due to the recognition of the portion (1/10) directly to the 2023 Profit and Loss Account. Given the Prudential Supervisory Ratios in force 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 registers an important capital surplus of about €22 million.

Communication, marketing and commercial activity

During 2023, the customer satisfaction analysis with calculation of the NPS (net promoter score) was completed, a figure that detects how much our customers would recommend to friends and relatives to start a relationship at BAC.

Also in view of the results that emerged from this analysis and with a view to increasing the offer, several products were developed and updated such as certificates of deposit for new deposits, 50/50 certificates of deposit (for acquiring new deposits and underwriting managed deposits) credit line for POS Revolving advance (which allows liquidity to be advanced for payment of suppliers or services and provides for repayment with POS collections), non-life insurance policies issued by San Marino Finanza e Previdenza (companies or individuals) and the development of new cards soon to be issued by BKN, as well as new collection/payment circuits (Alipay and Union Pay).

The Bac Group has demonstrated a growing commitment to environmentally friendly projects, focusing on green initiatives to promote a more sustainable world. During this period, several innovative projects and products communicated and promoted through our social channels were developed and completed:

- "Bac for the Responsible Use of Energy Resources," which involved turning off all Bac signs from midnight to 6 a.m. in support of energy conservation from March 2023;
- "With the electronic bank statement, you cancel the waste of paper and ink,"
 an initiative aimed at encouraging customers to meet with their contact
 person to sign up for web banking or electronic filing cabinet in order to
 avoid printing the bank statement;
- 3. "100% Green Mortgage," financing for renovation work aimed at improving the energy efficiency of the property and reducing the environmental impact (heat pumps, condensing boiler, photovoltaic system, electric columns), financing 100% and reducing the interest rate applied to improving the energy class of the property;
- "NFC business cards," replaced old paper business cards with new, more sustainable ones using advanced NFC+QR Code technology;
- 5. "Digital Signage", installed 9 monitors displayed in the headquarters and territorial branches. This is an innovative marketing strategy and in line with the evolution of the communication landscape, in order to dynamically engage the public by sharing a wide range of information in real time. From a sustainable point of view, there is the elimination of the use of paper for communication purposes such as window decals.

Social activity reached its full development in the year 2023, scoring remarkable results and engaging a wide audience. We have recorded a significant increase in interaction and engagement from our community of followers, demonstrating a growing interest in issues related to sustainability and the environment, as well as the products of the Bac Group. The promotion of green projects and products, as listed above, has contributed significantly to raising awareness of our mission for a more sustainable world and actively engaging the public in

achieving this common goal.

Starting in January 2023, the Bac Group has inaugurated the new column "Bac si Racconta," an initiative promoted to communicate with customers, companies, stakeholders and the territory through the voice of the people whose skills and professionalism in the Group's various activities every day convey to the outside world the values that have been the foundation and stimulus for BAC for more than 100 years.

An "episodic" project starring the Managers of the various areas and Management, interviewed by journalists from the weekly San Marino Fixing newspaper of economic, financial and political information.

Following the **CRM** enhancement that took place in 2022 and 2023, monthly monitoring was set up to evaluate the results achieved. The analysis was based on the quantity-quality of contacts recorded by our network.

In order to maximize the use of CRM and benefit from the results generated by MPE (Marketing Performance Evaluation), training sessions were conducted targeting our network. This raised awareness among the staff regarding the importance of accurate recording of contacts in the CRM system.

As of January 2023, a total of **7 marketing campaigns** focused on Bac Group's products have been launched, aimed at promoting and enhancing the various offerings in the product portfolio.

BAC's presence continues in Solidarity, Sports, Social and Cultural initiatives, in favor of the territory among which, the most prominent ones:

Solidarity: donation to Charity without Borders for Project to build the inpatient ward of the Kalala-Diboko Hospital Center - Democratic Republic of the Congo -, ASLEM; Colletta Alimentare;

Sports: San Marino Basketball Federation, Titano Motorsport, San Marino Academy Ballet, San Marino Swimming Federation, three-year partnership with San Marino Athletics Federation; Bocce Sports Federation, Acquaviva Bowling Club;

Social and Cultural: Review theatrical performances and musical entertainment at the Crossbow Quarry for the Event: "The Open-Air Theater," Training and Refresher Event of the College of Surveyors and Graduate Technicians Level I.

All mentioned sponsorships and charitable initiatives have been widely disseminated through our social channels.

In addition, two events were held on the occasion of the two separate projects, Solidarity, "Charity without Borders," and Sports, "FSAL Triennial Partnership." The first was held at the headquarters of "Charity without Borders," with the symbolic delivery of a commemorative plaque as a reminder from the commitment to the initiative. The second event, focused on the presentation of the athletic team uniform with the "Bac" logo to the press, took place at the Bank's headquarters.

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 to customers and guaranteeing maximum flexibility. Below is its articulation:

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

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

Repubblica di San Marino



Organizational activity and operational structure

Organizational activity and the evolution of the IT infrastructure have been geared toward the development of new products and services, and the adaptation of procedures to the changing regulatory and legislative environment.

Particular attention was paid to the revision of the Policy Framework dedicated to cybersecurity and related risk management, as well as to the enhancement of cybersecurity safeguards.

Operational structure and projects

The following are the major projects in 2023:

IT AREA

- Activation of the new IBM Power technology infrastructure and migration of Core Banking, and ancillary services useful for connections with payments systems on the same; the IT department of the Organizational Unit was engaged in activities to set up the new technology infrastructure;
- Activation of the new Corporate E-Learning System; the system enables all Group employees to enjoy training courses and Video Streaming content, enhances the colleague experience and incentivizes the creation of a culture based on training and learning, and enables Compliance management in this area.

MONETARY AREA AND PAYMENT SYSTEMS

In the first quarter, the Department under review was engaged in carrying out the final testing and activation phases of the new components of the Banking Information System developed to adapt the System to the new payment system messaging and in particular:

- GoLive New Target2 messaging: Adoption of new Target2 messaging as part of the European Target&T2S Consolidation project.
- GoLive ISO20022 Swift CBPR+: International payment system Swift has taken the first step aimed at adopting the ISO 20022 standard for its messaging.
- GoLive CBI adjustments: The bank's Internet Banking system, in use by customers, was adjusted by incorporating the adjustments required by the CBI Italian Banking service adjustment path.

In the second half of the year, the Organization Department was engaged in functional analysis activities with respect to the developments necessary to handle the changes introduced by SEPA November Change 2023, which has brought impacts in both the SEPA and CBI spheres.

ORGANIZATION AREA

Organizational and operational activities initiated and overseen for the proper

functioning of the facilities and services provided by the Bank, mainly involved the constant monitoring of internal production processes with a view to evolving their efficiency levels through technological and/or functional interventions. In particular, the Organization area has been engaged in the application implementations and major organizational adjustments necessary for the transposition of Central Bank Regulation 2023/02 "Regulation updating the supervisory provisions on credit exposures."

Staff

Evolution and composition of the workforce

As of 31 December 2023, the Bank's workforce was 107, thus registering a decrease of 4 resources from the previous year (1 Executive, 1 Middle Manager, and 2 Clerks) due to "voluntary resignations." One resource was subsequently hired by a subsidiary.

All employees are on a permanent contract.

Law 153/2023 allowed for the maintenance/activation of personnel secondments to Group Companies and Subsidiaries, which at the end of the year totaled 3.18 units/man, while 1 unit from a Subsidiary is seconded to BAC.

In addition, there is the absence of one resource due to union secondment, and there is also the absence of one employee due to parental leave; part-time hours are carried out by 24 resources. These circumstances bring the full-time equivalent to 97.50 units/man.

The workforce, at the end of the financial year, includes 2 Managers representing 1.87% of the total workforce, 20 Executives representing 18.69% of the total workforce, 13 Middle Managers representing 12.15% of the total workforce, and 72 Clerks representing 67.29% of the total workforce.

At the end of the financial year, the Board of Directors appointed a new deputy director identified from among the salaried staff, who assumed this role effective 1 January 2024.

The average age of the staff is 48.54 years. 50.24% of the staff are employed in the Commercial Network, while 49.76 % 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.

COMPOSITION BY QUALIFICATION	MALE	FEMALE	TOTAL	% INCIDENCE
Managers	1	1	2	1,87%
Executives	14	6	20	18,69%
Middle managers	10	3	13	12,15%
Clerks	35	37	72	67,29%
Total	60	47	107	100,00%

COMPOSITION BY AGE	MALE	FEMALE	TOTAL	% INCIDENCE
Over 50	31	21	52	48,60%
From 41 to 50	22	19	41	38,32%
From 31 to 40	6	7	13	12,15%
Up to 30	1	-	1	0,93%
Total	60	47	107	100,00%

COMPOSITION BY LENGTH OF SERVICE	MALE	FEMALE	TOTAL	% INCIDENCE
Over 30	16	13	29	27,10%
From 21 to 30	21	17	38	35,51%
From 11 to 20	17	14	31	28,97%
Up to 10	6	3	9	8,41%
Total	60	47	107	100 00%

COMPOSITION BY EDUCATIONAL QUALIFICATION	MALE	FEMALE	TOTAL	% INCIDENCE
Degree	15	14	29	27,10%
Diploma	44	33	77	71,96%
Other	1	-	1	0,93%
Total	60	47	107	100,00%

Training

The training planning process stems from the need to develop the skills and knowledge necessary for the realization of strategic goals, in support of change processes, as well as for the improvement of organizational performance and the performance of individuals.

Training, therefore, is aimed at what is really needed for corporate and personal professional growth and enhancement.

Training hours conducted during 2023 total 3,000 hours.

Training activities were listed according to two specific macro areas:

- 1. Training activities to comply with regulatory requirements;
- 2. Specific interventions to strengthen the Bank's business activities and the control of related risks in the areas of Finance, Insurance and Credit.

In continuity with the training carried out in previous years, in the first half of the year, the 30-hour training course in insurance was activated reserved for network figures who, in accordance with CBSM Regulation 2007-02, perform the role of Insurance Brokerage Officers and Managers.

With a view to strengthening the advisory skills of managers, training courses were selected from ABI and other training institutions focused on managing remote client relationships and decoding client needs and expectations, as well as the asset allocation process. Private managers and some affluent managers were also the recipients of a specific course on certificates. With internal faculty, the fortnightly appointment called "Morning Meeting" continued; training sessions were also organized on two levels: basic and intermediate, to enable all employees working in the network to have the necessary knowledge of insurance and financial products. Regarding the topic of sustainability, i.e., ESG knowledge, all employees were involved in an E-Learning course aimed at spreading awareness and "key" knowledge on relevant sustainability issues in banking. Also, on the subject of ESG, the San Marino Banking Association organized a training course dedicated to Corporate Officers and specific Functions that were involved according to the topics covered.

Given the entry into force of the Regulations on the subject of new NPE classification and adjustment, again through ABS, training meetings dedicated to network and management figures on the subject were held, there was also participation in the seminar organized by Dedagroup on "Skills and experience on NPE issues"; short internal internships were activated at the Bank's Credit unit to deepen knowledge in the specific area.

For network colleagues, training has also been scheduled in collaboration with BKN 301 on the phenomenon of phishing operated on credit cards and, more generally, on the types/operations related to these payment instruments.

The Bank joined the training course promoted by the San Marino Chamber of Commerce on the topics: "Business Plan and KPIs" and "Managing Growth." The course, in addition to increasing the participants' skills thanks to the presence of highly qualified lecturers, fostered cooperation among the various stakeholders in the local economic fabric. The uniqueness of the training course, as well as its strategic value, was grounded in the fine-tuning of the main documents already shared with San Marino banks and investors (IBAN - Italian Business Angels Network and AIFI Associazione italiana Private Equity, Venture Capital and Private Debt Association), becoming relevant elements for companies' access to credit and venture capital.

In the first half of the year, a survey aimed at analyzing the corporate climate was carried out for Officers and Branch/Organizational Unit Managers, the results of which were subsequently shared with the participants. On the sidelines of the climate survey, with the help of a highly specialized company, an experiential training course was outlined, which ended in the first quarter of 2024 and involved the same participants on the topics of "Leadership, Trust, Communication and Synergy." In parallel, members of the Executive Board also undertook a similar course, which also ended in early 2024.

On the control functions front, there was participation in the seminar "World Protection Forum: Compliance in the Age of Risk" and "CRS Standards" organized by the Central Liaison Office (RSM).

Of particular note for their efforts and achievement are:

- "The professionalizing path for Compliance in Banking," by ABI, which awarded the colleague the relevant certificate thanks to passing the final test.
- "Master's degree in AML/CFT" by European School of Banking Management lasting 8 months, which awarded the colleague the Anti-Money Laundering Advanced Certification, having passed the final exam.

The Anti-Money Laundering Officer took part in the National Anti-Money Laundering Forum and then held AML training for all employees and Corporate Officers.

In the 2023 Financial Year, training in online mode on Cyber Security involving all staff was started, as it is essential to prevent related risks.

Colleagues licensed to practice trusts participated in the annual refresher course to maintain their earned certification.

There has been participation in specialized conferences/courses such as: "Ineffectiveness and revocability of detrimental acts in the perspective of the protection of companies in crisis," "Guidelines on the management system for gender equality involving the adoption of specific KPIs inherent to gender equality policies in organizations," "Real Estate Valuation - methods,

techniques and professional tools," "The Savings Show," "Cyber Threats and Artificial Intelligence: Past, Present and Future Scenarios," "The Detection and Certification of New Skills" by ABI, and "Performance Appraisal: a Process of Development and Enhancement" promoted by Assoservizi.

In compliance with Law 31/1998 (safety in the workplace), an evacuation test was conducted in the building, headquarters of the General Management, and all employees were given a specific manual aimed at dealing with emergencies, First Aid courses were also organized; while the Workers' Safety Representative attended the meeting with Civil Defense Manager on fire prevention following the issuance of Delegated Decree no. 117 of 8 August 2023; in this area, activities that complement the previous points are being planned and will be implemented in the next financial year.

Finally, in the face of forthcoming relevant regulatory updates in the financial sphere, but not only, the Bank has already taken steps to promptly address from a training perspective the resulting obligations with a proactive approach to what is in the making.

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. Specifically, the Internal **Auditing activity**, carried out in the 2023 financial year, followed the indications of the planning agreed for the Parent Company, in addition to the similar planning assumed by the Subsidiary BAC Life S.p.a. whose Internal Auditing activities are outsourced to the same Function of the Parent Company BAC. As for Subsidiary BAC Investments SG S.p.A., it should be noted that the Internal Auditing function has been outsourced to a third-party company.

Within the Banking Group, the Parent Company carried out the following activities necessary for the exercise of Group Government:

- 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 stability of the Banking Group, during 2023 the main general and special provisions issued by the Supervisory Bodies were translated into Group directives, which are listed below and ordered with respect to the date of issuance of the corresponding internal regulations (Circulars):

ТҮРЕ	YEAR	NO	INTERNAL REGULATIONS	PRIMARY AND SUPERVISORY PROVISIONS
CIR	2023	3	FIA Newsletter 2022/04	"News related to combating money laundering and terrorist financing published on major national and international websites"
CIR	2023	15	FIA Newsletter 2022/05	"News related to combating money laundering and terrorist financing published on major national and international websites"
CIR	2023	28	FIA Newsletter 2023/01	"News related to combating money laundering and terrorist financing published on major national and international websites"
CIR	2023	30	Regulations on insurance and reinsurance brokerage	"Regulation on Insurance and Reinsurance Brokerage CBSM regulation 2007/02 update Miscellaneous CBSM Regulation 2023/02"
CIR	2023	40	RSM government bonds with maturity date 21/07/2032	"Purchase proposal; application to join the exchange of BNS Bonds for RSM Government Securities."
CIR	2023	46	Issuance of public debt securities "Republic of San Marino"	Issuance of public debt securities "Republic of San Marino, Fixed Rate 3.90%, 6 December 2024" referred to in Delegated Decree No. 148 of 13 October 2023.

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 EVOLUTION(S)/ ADJUSTMENT(S).
CIR	2023	2	Accounting and Budget Regulations unit	"January 2023" update
CIR	2023	8	Security Policies for the Use and Management of Group Information Systems.	"January 2023" update
CIR	2023	12	Organizational and Management Model	"January 2023" update
CIR	2023	23	Risk Appetite Framework	"March 2023" update
CIR	2023	26	Information Security Regulation, Cyber Risk Management, Incident and Change Management	"December 2022" update
CIR	2023	27	Consolidated AML CFT PF Act	"April 2023" update
CIR	2023	32	Regulation of the Planning and Management Control Unit	"June 2023" update
CIR	2023	39	Regulation of the Legal Secretariat and Corporate Affairs Unit	"July 2023" update
CIR	2023	44	Regulation of Treasury Management Activity (corporate liquidity and financial portfolio)	"October 2023" update
CIR	2023	50	Personnel Regulations Unit	"April 2023" update
CIR	2023	51	Credit Regulations	"November 2023" update

The **Risk Management Function** performed its activities in the manner and frequency prescribed by internal regulations.

During the year, the Bank approved the update of the 2023-2025 Business Plan and consequently the new RAF was approved.

Specifically, during 2023, 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 General Management and Management Planning and Control in setting and verifying the objectives set forth in the 3-Year Business Plan;
- Preparation of the NPL plan incorporated into the 3-Year Business Plan;
- · Activities preparatory to the sale of NPLs to Veicolo di Sistema.

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". The AML (Anti Money Laundering) Staff, ensures the performance of all operational and control activities related to the prevention and combating of money laundering and terrorist financing for the Bank and, where applicable (outsourcing), for the Subsidiaries.

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 infoprovider.

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

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 2023, 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:

- Charity without borders,
- Colletta Alimentare (Food Collection).

Significant events occurring after the end of the financial year

The year 2024 opened with the visit of the International Monetary Fund (hereinafter also IMF) from 3 to 9 April 2024, which carried out the usual *follow-up* following the mission undertaken since 2016 in our Republic, to discuss with the San Marino Authorities, the recent economic developments and challenges facing the country. The delegation conducted a series of meetings with Institutions, the Supervisory Authority, and Banks.

The discussion focused on the new scenarios that the financial system will have to face in the future, in particular with the path undertaken to join the Association Agreement with the European Union, which will offer the opportunity to further integrate the San Marino economy into Europe and attract foreign investment; at the same time, the adoption of the European regulatory framework will impose the necessary adjustments on the Central Bank of San Marino and the banking institutions; the discussions will continue in the context of the consultation on Article IV scheduled for September.

The IMF positively assessed the effort made by the financial system to conclude the first system securitization, which was finalized in December, and the resulting reduction in NPL loans.

As part of the system securitization transaction, it is worth mentioning the bank's entry, in February 2024, into the shareholding structure of the company I.G.R.C. Spa, established in August 2023 by the sole shareholder Eccellentissima Camera, then diluted to 40% through a capital increase subscribed by the San Marino banks in proportion to the assets contributed to Veicolo di Sistema. Bac's stake represents 10.08% of the share capital with a nominal value of €25,000. The company plays the role of Master Servicer of the transaction.

In 2024, discussions continued with the trade unions for the renewal of the National Collective Labor Agreement, and there was a strike by employees that lasted for several days; although the negotiations have not yet been concluded, possible accrued charges were incorporated into this budget, based on the offer made by the employer in February 2024.

Business outlook

In the current 2024, BAC submitted the 2024-2026 three-year Business Plan for approval; the Governing Body confirmed the business model of commercial bank of the territory. However, the complexity that will characterize the reference context, which is highly challenging due to the definition of San Marino's association agreement with the EU, the effects resulting from the systemic securitization operation, and the new provisions on the taxonomy of loans and minimum coverage of impaired credit exposures, which will significantly impact credit institutions, was emphasized. Among the primary objectives: the development of profitability, the maintenance of adequate levels of liquidity, as well as the progressive strengthening of capital strength, in light of the regulations being issued that pursue the objective of progressive approximation with European provisions.

We would like to express our heartfelt thanks to all of the Bank's Staff for their fruitful cooperation and commitment in carrying out their activities during these difficult years for the country and the financial system: from the return of the health emergency to the energy crisis triggered by the outbreak of the Russian-Ukrainian conflict and the further volatility in the monetary and financial markets attributable to the emergence of the further Arab-Israeli conflict.

We extend esteemed appreciation to the Board of Statutory Auditors and the Supervisory Authority for their comparisons and support.

Last but not least, our sincerest gratitude is directed to our customers for

choosing the products and services offered by the Bank.

Corporate position

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

Dear Shareholders.

We submit the financial statements for the year ended as of 31 December 2023 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.

The Board of Directors, despite the fact that there is an important capital surplus compared to the minimum requirements imposed for supervisory purposes, which, including the profit for the year, will amount to approximately €22 million, with a solvency ratio of 17.71%, in line with the repeated indications of the International Monetary Fund, which recommends that financial institutions capitalize profits aimed at strengthening the system, recommendations also made by the Supervisory Authority, proposes to the Shareholders' Meeting the following allocation of the 2023 profit for the year of €5,609,495.63:

- as for €2,499,595.75, to the non-distributable reserve usable to future capital increase (liability item 130 "Reserves, d) other reserves"), as indicated by Prot.20/13417 dated 22 December 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 revenues realized through said transfer, specifying that with this provision the amount necessary for the constraint was reached;
- as much as €3,109,899.89, equal to the residual amount of the profit being formed, to the ordinary reserve, i.e., an amount higher than the statutory and regulatory constraint that requires at least 20% of the profit to be allocated to this ordinary reserve.

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

NET EQUITY	31/12/2023
Share capital - subscribed and paid-up shares	20.880.080
Ordinary reserve fund	50.046.289
Extraordinary reserve fund	-
Share premium reserve fund	-
Reserve fund for treasury shares	14.378
Non-distributable reserve fund	3.467.150
Revaluation reserves	18.184.127
Losses carried forward	-
Income for the year	-
Total	92.592.024

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, 29 april 2024

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Financial statements representation



Statement of assets and liabilities - Assets

ODE	ASSET ITEMS	31/12/2023	31/12/2023
10	Cash and cash equivalents with central banks and post offices	4.482.087	8.055.774
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	163.571.696	166.016.694
	a) At sight	138.812.738	134.236.080
	b) Other receivables	24.758.958	31.780.614
40	Loans to customers	233.531.952	270.870.548
	a) At sight	79.094.242	107.731.601
	b) Other receivables	154.437.710	163.138.947
50	Bonds and other debt financial instruments	210.678.129	191.419.939
	a) Public issuers	35.871.384	24.550.257
	b) Bank issuers	66.064.043	69.036.201
	c) Financial firms other than banks	93.496.913	83.848.321
	d) Other issuers	15.245.789	13.985.160
60	Shares, stocks and other capital financial instruments	26.156.236	42.467.180
70	Shareholdings	5.615.841	5.620.040
	a) Financial firms	4.976.172	4.976.172
	b) Non-financial businesses	639.669	643.868
80	Equity investments in group companies	7.852.014	7.619.975
	a) Financial firms	7.351.227	7.287.620
	b) Non-financial businesses	500.787	332.35
90	Intangible fixed assets	2.571.169	1.425.025
	a) Financial leasing	370.353	420.731
	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	2.200.816	1.004.294
100	Tangible fixed assets	159.466.757	164.009.128
	a) Financial leasing	43.953.697	58.013.312
	of which Assets under construction	191.806	14.006.957
	b) Assets awaiting lease	-	2.192.829
	of which Due to default by the tenant	-	2.192.829
	c) Assets available from debt collection	89.728.688	77.031.407
	of which Assets available for credit extinction through a settlement agreement	89.728.688	77.031.40
	d) Lands and buildings	25.318.570	26.229.75
	e) Other tangible fixed assets	465.802	541.829
110	Capital subscribed and not paid-in	-	
	of which Called-up capital	-	
120	Own shares or quotas	14.378	14.378
130	Other assets	124.367.691	137.733.448
130	Accrued income or prepaid expenses	819.836	406.679
140	Addition in prepara expended		
	a) Accrued income	287.370	248.063
		287.370 532.466	248.063 158.616

Statement of assets and liabilities - Liabilities

ODE	LIABILITY ITEMS	31/12/2023	31/12/2023
10	Amounts due to banks	1.932.012	3.129.84
	a) At sight	1.252.864	905.0
	b) Termor without notice	679.148	2.224.7
20	Amount due to customers	534.578.367	636.981.8
	a) At sight	424.526.614	502.227.66
	b) Term or without notice	110.051.753	134.754.1
30	Payables represented by financial instruments	210.166.827	161.664.4
	a) Bonds	-	
	b) Certificates of deposit	210.166.827	161.664.4
	c) Other financial instruments	-	
40	Other liabilities	93.468.169	102.505.9
	of which checks in circulation and similar securities	1.306.211	571.7
50	Accrued expenses and deferred income	122.916	238.4
	a) Accrued expenses	-	3
	b) Deferred income	122.916	238.0
60	Severance	533.015	516.0
70	Reserves for risks and charges	1.310.312	706.0
	a) Provisions for pensions and similar obligations	-	
	b) Tax reserves	13.803	13.8
	c) Other reserves	1.296.509	692.2
80	Provisions for credit risks	600.000	600.0
90	Provision for general financial risks	1.423.222	
100	Subordinate liabilities	2.400.922	2.400.9
110	Subscribed capital	20.880.080	20.880.0
120	Share premium reserve	- 1	
130	Reserves	47.918.321	46.867.1
	a) Ordinary or legal reserve	46.936.389	46.726.1
	of which Reserve in tax suspension	1.227.968	1.227.9
	b) Reserve for own shares or quotas	14.378	14.3
	c) Statutory reserves	-	
	d) Other reserves	967.554	126.6
140	Revaluation reserves	18.184.128	18.116.7
150	Retained earnings (losses) carried forward	-	
160	Profit (loss) for the year	5.609.495	1.051.1
		939.127.786	

Guarantees and commitments

CODE	ITEMS	31/12/2023	31/12/2022			
10	Guarantees given	17.057.986 17.8				
	of which a) Acceptances	-	-			
•••••	b) Other guarantees	17.057.986	17.877.916			
20	Commitments	8.421.028	20.448.181			
	of which a) For specific use	3.806.575	11.915.665			
	of which Financial instruments	-	-			
	b) For unspecific use	3.178.555	7.151.029			
	of which Financial instruments	-	-			
	c) Other commitments	1.435.898	1.381.487			
	Total	25.479.014	38.326.097			

Corporate position

Profit and loss account

CODE	PROFIT AND LOSS ACCOUNT ITEMS	31/12/2023	31/12/2022
10	Interest income and similar revenues	24.463.527	14.408.118
	a) On loans to banks	3.392.128	253.468
	b) On loans to customers	15.401.196	10.099.198
	c) On debt securities	5.670.203	4.055.452
20	Interest expense and similar charges	7.818.829	2.428.540
	a) On amounts due to banks	2.517	10.44
	b) On amounts due to customers	4.001.244	710.600
	c) On debts represented by financial instruments	3.815.068	1.707.49
	of which On subordinate liabilities	71.784	71.850
30	Dividends and other revenues	807.775	1.528.558
	a) On stocks, quotas and other equity securities	123.873	601.274
	b) On shares	······	
	c) On groupcompany shares	683.902	927.284
40	Commission income	7.310.285	7.036.476
50	Commission income	2.097.729	1.849.188
60	Profits (losses) on financial transactions (+/-)	1.288.239	108.097
70	Other operating income	12.032.996	12.228.954
80	Other overhead costs	-	
90	Administrative expenses	12.976.444	12.690.05
	a) Personnel expenses	7.849.655	8.277.093
	of which - Wages and salaries	5.519.644	5.890.26
	- Social security charges	1.505.261	1.605.05
	- Severance	511.750	505.952
	- Pensions and similar obligations	-	
	- Directors and auditors	243.003	233.26
	- Other personnel expenses	69.997	42.55
	b) Other administrative expenses	5.126.789	4.412.96
100	Value adjustments on intangible fixed assets	321.104	240.15
110	Value adjustments on tangible fixed assets	10.965.081	11.633.58
120	Provisions for risks and charges	594.591	90.00
130	Provisions for credit risks	-	600.00
140	Value adjustments on loans and on provisions for guarantees and commitments	6.825.030	10.105.47
150	Write-backs on loans and provisions for guarantees and commitments	2.018.713	5.688.39
160	Value adjustments on financial fixed assets	17.947	386.31
170	Write-backs on financial fixed assets	157.684	300.310
180	Profit (loss) from ordinary activities	6.462.464	975.28
190		662.801	487.41
	Extraordinary income	92.548	
200	Extraordinary income		411.52
210	Extraordinary profit (loss)	570.253	75.89
220	Taxes for the year		
230	Change in the provision for general financial risks	-1.423.222	

Corporate position

Cash flow statement (amounts in euro)

FUNDS GENERATED AND COLLECTED	31/12/2023	31/12/2022	FUNDS USED AND INVESTED	31/12/2023	31/12/2022
Funds generated from operations	26.345.189	24.660.561	Write-backs and utilisation of funds generated from operations	2.580.782	6.497.954
Profit (loss) for the year	5.609.496	1.051.178	Use of retirement fund	-	-
Provision for retirement fund	-	-	Use of severance indemnity fund	517.229	525.265
Provision for severance	534.170	524.859	Use of provisions for bad debts	-	-
Provision for general financial risks	1.423.222	-	Use of provisions for risks and charges	44.840	423.882
Allocation to provision for risks and charges	649.141	718.999	Decrease in the provision for bad debts	2.018.713	5.548.807
Increase in provision for bad debts	6.842.976	10.491.781			
Value adjustments on tangible and intangible fixed assets	11.286.185	11.873.745			
Increase in funds collected	48.502.352	142.623.258	Increase in funds invested	27.793.342	150.333.973
Due to banks	-	1.901.814	Cash and other valuables	-	3.727.556
Due to customers	-	124.959.250	Loans and advances to banks	-	-
Payables represented by financial instruments	48.502.352	-	Loans and advances to customers	-	-
Other liabilities	-	15.672.509	Bonds and other debt securities	19.258.189	110.637.046
Accrued liabilities and deferred income	-	89.686	Shares and other equity securities	-	12.578.233
Subordinated liabilities	-	-	Shareholdings	-	-
			Shareholdings in group companies	232.038	-
			Tangible and intangible fixed assets	7.889.959	11.045.798
			Other assets	-	12.185.596
			Subscribed and unpaid capital	-	-
			Accrued income and deferred expenses	413.156	159.745
Decrease in funds invested	68.213.915	23.094.791	Decrease in funds collected	112.754.704	33.586.627
Cash and other valuables	3.573.686	-	Due to banks	1.197.835	-
Loans and advances to banks	2.444.999	16.061.784	Due to customers	102.403.458	-
Loans and advances to customers	32.514.332	6.716.693	Payables represented by financial instruments	-	33.586.627
Bonds and other debt securities	-	-	Other liabilities	9.037.828	-
Shares and other equity securities	16.310.944	-	Accrued liabilities and deferred income	115.517	-
Shareholdings	4.198	96.916	Subordinated liabilities	66	-
Shareholdings in group companies	-	219.397			
Tangible and intangible fixed assets	-	-			
Other assets	13.365.756	-			
Subscribed and unpaid capital	-	-			
Accrued income and deferred expenses	-	-			
Changes in equity:	67.371	39.944	Changes in equity	-	-
Increase in 'other reserves	67.371	39.944			
Capital contribution	-	-			
Total funds generated and collected	143.128.828	190.418.554	Total funds used and invested	143.128.828	190.418.554

Explanatory notes



STRUCTURE AND CONTENT OF THE FINANCIAL STATEMENTS

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Structure and content of the financial statements

The financial statements for the year 2023 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, and a report by the Independent Auditors.

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 Regulation 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 Bank.

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.

Substandard 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 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.

It should be noted that the taxonomy of loans described above was amended, effective 1 January 2024, with the issuance of CBSM Regulation 2023/02, which in turn revised CBSM Regulation 2016/02, introducing the following three subcategories for impaired credit exposures: "Non-performing," "Probable default," and "Past due and/or overdue." The sub-category "Unsecured loans to "at risk" countries" has been deleted, while the sub-categories of Substandard and Restructured loans have actually been brought under the sub-category: "Probable defaults."

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.

As stipulated in the new provisions that amended Article IV.I.1 paragraph 3 of CBSM Regulation 2016/02, the determination of the value of financial instruments not held as fixed assets, in 2023, is made with reference to the value recognized on the balance sheet date, unlike in previous financial statements, in which the recognition was made 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.

Write-downs made for impairment losses are reversed if the reasons for which they were made no longer apply.

- Financial instruments not held as fixed assets are held for trading or treasury needs; they are measured at "fair value" as specified in paragraph 5 of Article III.II.5 of CBSM Regulation 2016/02:
 - a. for listed financial instruments, the "fair value" or market value is represented by the listed value, i.e., the market value recognized as of the balance sheet date, resulting in the recognition of both capital loss and capital gain, as required by the new regulatory provisions that amended Article IV.I.1 paragraph 3 of CBSM Regulation 2016/02.
 - 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 Bank 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 60)

This item includes financial instruments that are in the nature of equity, such as shares and units in UCIs. They are valued at the market price recorded on the balance sheet date, as required by the new regulatory provisions that amended Article IV.I.1 paragraph 3 of CBSM Regulation 2016/02, even if they are included in the investment portfolio. In previous financial statements, the valuation was carried out with reference to the average value of the last month before the valuation.

Shareholdings (asset items 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 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 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 prorata 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 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 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 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 140 and liability item 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;
- 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 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 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 outstanding charges.

Provisions for risks on credits (liability item 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.

General Financial Risk Fund (liability item 90)

It is intended to cover the general risk of the banking enterprise and, therefore, is in the nature of equity. The balance of any change is recorded in a specific item in the income statement.

Reserves (liability item 130)

The ordinary reserve consists of the allocation of profits formed in pre-vious 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 Novem-ber 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. Ac-cording 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 demerg-er, 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 benefi-ciaries 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 10)

Table 1.1: detail of item 10 "Cash and cash equivalents with central banks and post offices"

DESCRIPTION	31/12/2023	31/12/2022	CHAN	IGE
			Amount	%
Cash and cash equivalents:				
Vault cash	3.230.629	6.738.346	-3.507.717	-52,06%
Foreign currency Vault	71.307	266.900	-195.593	-73,28%
ATM	655.885	777.875	-121.990	-15,68%
Cheques in € / currency	488.628	237.245	251.382	105,96%
Other values	35.639	35.407	232	0,65%
Total	4.482.087	8.055.774	-3.573.686	-44,36%

2. Treasury securities and other financial instruments eligible for refinancing with central banks (item 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 30)

Table 3.1: detail of item 30 "Loans to credit institutions"

DESCRIPTION		31/12/2023			31/12/2022	CHANGE		
	In euro	In valuta	Totale	In euro	In valuta	Totale	Amount	%
A) At sight:	131.319.689	7.493.049	138.812.738	127.239.919	6.996.161	134.236.080	4.576.658	3,41%
A1. Reciprocal accounts opened for services rendered	124.370.024	-	124.370.024	117.319.355	-	117.319.355	7.050.669	6,01%
A2. Active current accounts	6.949.665	7.493.049	14.442.714	9.920.564	6.996.161	16.916.725	-2.474.011	-14,62%
A3. Others	-	-	-	-	-	-	-	-
B) Other receivables:	24.758.958		24.758.958	31.780.614		31.780.614	-7.021.656	-22,09%
B1. Fixed deposits	24.758.958		24.758.958	31.780.614		31.780.614	-7.021.656	-22,09%
B2. Active current accounts	-	-	-	-	-	-	-	-
B3. Repurchase agreement and active carryovers	-	-	-	-	-	-	-	-
B4. Others	-	-	-	-	-	-	-	-
Total			163.571.696			166.016.694	-2.444.998	-1,47%

The breakdown of loans due from banks shows an increase in the sight deposit for €4,576,658 and a decrease on the item Other receivables for €7,021,656. The breakdown of accounts receivable from credit institutions decreases overall by €2,444,998. The change is affected mainly by the reduction in total direct deposits. 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 past economic downturn, attributable to the well-known pandemic events, the outbreak of the Russian-Ukrainian war in 2022 and, most recently, the outbreak of the Israeli-Palestinian conflict in 2023; 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 restricted deposit for Compulsory Reserve, established by Decree No.162 of 3 December 2009, the restricted deposit for the contribution of the 2022/2023 tranche to the Depositors' Guarantee Fund,; the deposit to guarantee the transmittal to BCSM in accordance with Regulation 2013-03; as well as restricted deposits, established with a Credit Institution to guarantee reciprocal contractual obligations undertaken (speculatively under item 10 of the liabilities, deposits established with BAC by the same Credit Institution are recognized in the same amount). Finally, escrow deposits include the Escrow account for €1,251,663, set up to guarantee the payments inherent in the senior class securities deriving from the system securitization transaction of NPL loans pursuant to Law 157/2021, as amended and supplemented, which was finalized in December.

Table 3.2: situations of cash loans to credit institutions

	CATEGORIES / VALUES		31/12	2/2023		31/12/2022			
		Gross exposure	Total value adjustments	Net exposure	Overall Partial Cancellations (*)	Gross exposure	Total value adjustments	Net exposure	Overall Partial Cancellations (*)
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	-	-	-	-	-	-		-
АЗ.	Restructured loans	-	-	-	-	-	-	• • • • • • • • • • • • • • • • • • • •	-
	of which Deriving from financial leasing transactions	-	-	-	-	-	-	•	-
Α4.	Past due / overdue loans	-	-	-	-	-	-	• • • • • • • • • • • • • • • • • • • •	-
	of which Deriving from financial leasing transactions	-	-	-	-	-	-		-
	Unsecured loans to "at risk" ıntries	-	-	-	-	-	-	•	-
B)	Performing loans	163.571.696	-	163.571.696	-	166.016.694	-	166.016.694	-
	of which Deriving from financial leasing transactions	-	-	-	-	-	-		-
Tot	al	163.571.696	-	163.571.696	-	166.016.694	-	166.016.694	-
	of which Total financial leasing transactions	-	-	-	-	-	-	-	_

^(*) Value to be displayed for disclosure purposes.

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.

MATURITY	31/12/2023	31/12/2022
At sight	138.812.738	134.496.082
Up to 3 months	-	5.000.000
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	1.251.663	-
Maturity not attributed	23.507.294	26.520.612
Total	163.571.696	166.016.694

Included in the "unallocated maturity" band are the Mandatory Reserve Deposit Banks, the Depositors' Guarantee Fund Escrow, and the Transit Guarantee Deposit set up with CBSM.

4. Loans to customers (asset item 40)

Table 4.1: breakdown of item 40 "Loans to customers"

DESCRIPTION		31/12/2023		31/12/2022			CHANGE	
	In euro	In foreign currency	Total	In euro	In foreign currency	Total	Amount	%
A) At sight / revocation	78.260.569	833.673	79.094.242	107.087.858	643.743	107.731.601	-28.637.359	-26,58%
A1. Active current accounts	10.899.205	173	10.899.378	11.491.032	267	11.491.299	-591.921	-5,15%
A2. Others	67.361.365	833.500	68.194.864	95.596.826	643.476	96.240.302	-28.045.437	-29,14%
B) Other credits	154.437.710	-	154.437.710	163.024.710	114.237	163.138.947	-8.701.237	-5,33%
B1. Active current accounts	3.297.090	-	3.297.090	2.710.231	=	2.710.231	586.859	21,65%
B2. Discounted wallet and subject to collection	3.198.961	-	3.198.961	5.187.666	-	5.187.666	-1.988.705	-38,34%
B3. Repurchasing agreements and active carryovers	-	-	-	-	-	-	-	_
B4. Other financing	147.941.659	-	147.941.659	155.126.813	114.237	155.241.050	-7.299.391	-4,70%
Total	232.698.279	833.673	233.531.952	270.112.568	757.980	270.870.548	-37.338.596	-13,78%

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	31/12/2	2023	31/12/2	2022	CHANGE	
	In euro	In foreign currency	In euro	In foreign currency	Amount	%
A) From mortgages	82.741.438	-	96.701.575	-	-13.960.137	-14,44%
B) From pledge on	6.668.425	-	6.626.466	-	41.959	0,63%
B1. Cash deposits	2.382.579	-	2.531.173	-	-148.594	-5,87%
B2. Securities	1.009.862	-	590.225	-	419.637	71,10%
B3. Other values	3.275.984	-	3.505.068	-	-229.084	-6,54%
C) from guarantees of	123.437.796	-	147.651.480	-	-24.213.684	-16,40%
C1. Public administrations	31.052.216	-	35.466.506	-	-4.414.290	-12,45%
C2. Monetary financial institutions	-	-	505.526	-	-505.526	-100,00%
C3. Investment funds other than money market funds	-	-	-	-	-	-
C4. Other financial institutions	-	-	-	-	-	-
C5. Insurance companies	-	-	-	-	-	-
C6. Pension funds	-	-	-	-	-	-
C7. Non-financial corporations	83.182.541	-	99.470.544	-	-16.288.003	-16,37%
C8. Families and non-profit institutions serving families	8.538.007	-	8.917.205	-	-379.198	-4,25%
C8.1. Consumer and producer families	8.538.007	-	8.917.205	-	-379.198	-4,25%
C8.2 Non-profit institutions serving families	-	-	-	-	-	-
C9. Others	665.032	-	3.291.699	-	-2.626.667	-79,80%
Total	212.847.659	-	250.979.521	-	-38.131.861	-15,19%

The above table includes all types of guaranteed loans expressed at net values. Analysis of the data shows that the amount of net loans backed by collateral and personal guarantees accounts for 76.60% of the total net loans reported in Table 4.3 below; in addition, 32.18% are backed by collateral (pledge or mortgage).

Table 4.3: situation of cash loans to customers.

	CATEGORIES / VALUES		31/12/2023				31/12/2022			
		Gross exposure	Total value adjustments	Net exposure	Overall Partial Cancellations (*)	Gross exposure	Total value adjustments	Net exposure	Overall Partial Cancellations (*)	
A)	Doubtful loans	45.438.376	12.364.139	33.074.237	12.233.437	124.747.358	62.809.335	61.938.023	15.954.027	
	of which Deriving from financial leasing transactions	10.176.684	1.540.476	8.636.208	-	14.794.968	3.475.584	11.319.384	-	
A1.	Non-performing loans	17.775.197	6.844.256	10.930.941	4.393.455	83.636.766	49.632.903	34.003.863	15.954.027	
	of which Deriving from financial leasing transactions	3.067.890	821.452	2.246.438	-	8.908.661	2.985.327	5.923.334	-	
A2.	Substandard loans	13.244.602	1.929.866	11.314.736	-	11.631.856	1.737.463	9.894.393	-	
	of which Deriving from financial leasing transactions	3.186.342	326.779	2.859.563	-	773.113	75.808	697.305	-	
A3.	Restructured loans	14.348.361	3.586.510	10.761.851	7.839.982	27.430.723	11.426.654	16.004.069	-	
	of which Deriving from financial leasing transactions	3.922.452	392.245	3.530.207	-	4.608.116	411.908	4.196.208	-	
A4.	Past due / overdue loans	70.146	3.507	66.639	-	2.047.909	12.314	2.035.595	-	
	of which Deriving from financial leasing transactions	-	-		-	505.078	2.541	502.537	-	
	Unsecured loans to at "risk ıntries"	70	-	70	-	104	1	103	-	
B)	Performing loans	245.986.930	1.205.165	244.781.765	-	272.796.636	3.237.239	269.559.397	-	
	of which Deriving from financial leasing transactions	38.348.532	187.908	38.160.624	-	55.845.229	2.146.167	53.699.062	-	
Tot	al	291.425.306	13.569.304	277.856.002	12.233.437	397.543.994	66.046.574	331.497.420	15.954.027	
	of which Total financial leasing transactions	48.525.216	1.728.384	46.796.832	-	70.640.197	5.621.751	65.018.446	-	

^(*) Value to be displayed for disclosure purposes.

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,

Corporate position

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 2023 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, as early as 2022, the Bank reclassified 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 €321,900), and from item 130: "Other assets" ("Sundry debtors" account), the redemption portion (in the amount of €487,455), by re-recording these amounts to item 100 "c) Assets available for collection."
- the economic components of the related fees were reclassified to rental income (for €41,867).

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 c) assets available from debt collection
1	310.000	186.000	110.066	296.066
2	275.000	165.000	94.674	259.674
3	140.000	70.000	58.840	128.840
4	132.910	66.455	58.321	124.776
Total		487.455	321.900	809.355

The Bank also participated, together with two San Marino Banks, two Public Territory Vehicles and one SG -on behalf of two Closed Funds reserved for San Marino Banks-, in the system securitization finalized in December 2023, regulated by Law 157/2021, under which more than €600 million of NPLs were sold by the Originators to Veicolo di Sistema. Against the loans sold, Veicolo di Sistema arranged for the issuance of global notes in three tranches. The senior class securities, for a purchase value of about €70 million backed by a public quarantee, are backed by ratings in addition to being listed on Euronext Acces Milano and were primarily subscribed by the Bank investors, demonstrating the international nature of the transaction, which saw the international bank JPMorgan as Arranger, as well as other advisors of primary standing such as Banca Guber, Banca Finint and the legal teams of Studio Orrick and Studio Legale Mularoni. While the mezzanine class securities, worth about €40 million, and the junior class securities, worth about €50 million, were underwritten by the originators themselves.

In detail, Banca Agricola sold a stock of non-performing loans with a gross

nominal value as of the cut-off date (31/12/2022) of €57.983 million (reduced to €56.308 million as of the date of sale, which took place in December 2023), for a net sale equivalent of €17.669 million. Veicolo di Sistema issued to BAC senior class securities for a countervalue of €6.258 million, mezzanine class securities for €4.376 million and junior class securities for €7.034 million; the latter two global notes were subscribed by BAC itself on 14 December 2023 and included in the investment securities portfolio at a subscription price of 100.

Included in Cash Receivables from customers, as part of the system securitization transaction shown above, is the subordinated loan to Veicolo di Sistema in the amount of €1.044 million.

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	83.636.765	11.631.856	27.430.723	2.047.909	105
of which Interest on arrears	1.488.729	164.606	-	-	-
B) Increases	3.587.296	20.626.843	34.825.945	220.455	261.273
B1. Income from performing loans	218.586	3.558.160	-	68.736	-
B2. Income from other categories of doubtful loans	544.611	7.854	-	904	3
B3. Interest on arrears	9.833	45.723	15.935	249	-
B4. Other increases	2.814.266	17.015.106	34.810.010	150.566	261.270
C) Decreases	69.448.866	19.014.096	47.908.306	2.198.218	261.308
C1. Expenditure on performing loans	460	112.473	4.851.951	1.747.971	-
C2. Expenditure on other categories of doubtful loans	-	545.457	-	8.544	59
C3. Cancellations	4.503.252	11.167	7.839.982	-	-
C4. Collections	4.073.876	10.385.619	23.354.634	223.740	-
C5. Income from sales	56.307.855	-	-	-	-
C6. Other decreases	4.563.423	7.959.380	-	217.963	
D) Final gross exposure as of 31/12/23	17.775.195	13.244.603	14.348.362	70.146	70

At the same time as the securitization, careful monitoring activities on customer loans and subsequent checks on their classification continued, as did recovery activities on Doubtful loans.

The management of impaired loans has produced:

- collections on non-performing loans for €4,073,876 and on watchlist positions for €10,385,819;
- write-offs of €4,503,252 on non-performing positions and €11,167 on substandard loans, covered by the corresponding adjustment provision (see Table 4.5);
- in addition, in accordance with the regulations introduced by the Miscellaneous of CBSM 2024/01, art.3 paragraph 3, in amendment to CBSM

Regulation 2016/02, art. III.II.6, paragraph 12, a partial write-off of a position classified among restructured loans in the amount of €7,839,982 was carried out, with simultaneous use of the value adjustments previously recorded; this operation did not entail the waiver of the legal right to recover said loan.

In 2023, there was a decrease in gross impaired loans of €79,308,982, due to the management of doubtful loans as well as the securitization transaction involving €56,307,855, shown under item C.5 "Realizations from disposals," in addition to a corresponding decrease detectable on the amount of net impaired loans, which marks a decrease of €28,863,786, -46.60% compared to the end of 2022. Among impaired loans, tangible fixed assets subject to early termination of lease contracts due to default of the debtor were reclassified. The amount of these fixed assets as of 31/12/2023 is zeroed out, and their changes are shown next in the relevant table.

Impaired positions exhibit a coverage ratio of 27.21 %, down from the previous year (50.35 %), as detailed in Table 4.5 below, due to the aforementioned securitization transaction.

It is repeated what has already been specified in previous years 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 credits indicated by the same Authority on the basis of the statistical exercise of the Asset Quality Review as of 30 June 2017, according to San Marino criteria, amounted to €53.5 million.

In the financial statements for the years ended as of 31/12/2017 and 31/12/2018, BAC had recorded adjustments in the amount of 10.9 million, and then, in the financial statements for the year ended as of 31/12/2019, upon completion of the total adjustments indicated above, had recorded additional analytical adjustments in the amount of 41.727 million and lump-sum adjustments in the amount of 17.858 million, the latter of which were attributed to specific positions during 2020.

The following table shows the development of total final adjustments:

amounts in millions of euros	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, that is, to spread the amount of these residual write-downs over 10 financial years, starting in 2019; therefore, in the 2023 financial statements, the fifth tenth annual amount of 4.581 million euros 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	49.632.903	1.737.463	11.426.654	12.314	1	3.237.239
B) Increases	2.242.827	939.980	69.627	3.495	2	311.125
B1. Value adjustments	1.055.546	674.118	69.627	2.923	-	238.214
of which Interest on arrears	7.694	-	-	-	-	-
B2. Use of provisions for credit risk	-	-	-	-	_	-
B3. Transfers from other credit categories	1.167.963	18.046	-	572	2	72.777
B4. Other increases	19.319	247.816	-	-	-	134
C) Decreases	45.031.473	747.578	7.909.771	12.302	2	2.343.200
C1. Value recoveries on valuations	118.924	124.890	20.860	1.261	2	394.655
of which Interest on arrears	-	-	-	-	-	-
C2. Value recoveries from collection	1.356.232	-	-	-	-	1.889
of which Interest on arrears	-	-	-	-	-	-
C3. Cancellations	4.503.252	3.835	7.839.982	-	_	-
C4. Transfers to other credit categories	225.176	368.966	48.929	11.041	-	19.831
C5. Other decreases	38.827.889	249.887	-	-	-	1.926.824
D) Final overall adjustments as of 31/12/2023	6.844.257	1.929.865	3.586.510	3.507	1	1.205.165
of which Interest on arrears	62.680	-	-	-	-	-

The allowance for loan adjustments, amounting to €13,569,304, fed by the movements during the year (provisions, revaluations and utilizations), attests to the total coverage equal to 4.66% of gross loans being strongly influenced by the above detailed system securitization transaction, of which: 0.49% on performing loans, 5% on past due loans, 25.00% on restructured loans, 14.57% on substandard loans and 38.50% on non-performing loans.

We specify that item C.5. "Other decreases" includes €38,636,053 in adjustments that insisted on non-performing loans transferred to Veicolo di Sistema.

As already described in the evaluation criteria, on Non-performing, Substandard and Restructured positions, the chances of recovery were analytically evaluated. For Past Due and/or Overdue Loans, an analytical valuation was carried out on positions above 0.5 % of Regulatory Capital and a lump-sum write-down 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 lump-sum write-down does not exceed 5% of

Regulatory Capital; otherwise, analytical valuation of all exposures is carried out. For unsecured loans to "at risk" countries, a lump-sum write-down was made equal to that calculated for performing loans, given the smallness of the exposure. For Performing Loans, a lump-sum 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 multi-year time horizon, and subdivided according to the sector they belong to: - Government and Public Administration, - Financial Enterprises, - Non-Financial Enterprises, - Private Individuals, - Others. Specifically, for each type of counterparty, the transition matrix was constructed and then determined the relative PD (Probability of Default), noted the bank's average LGD (Loss Given Default), again based on the observation of data within the mentioned time frame.

Table 4.6: breakdown of "Loans and advances to customers" according to residual life

MATURITY	31/12/2023	31/12/2022
At sight	48.419.880	64.439.334
Up to 3 months	23.366.572	26.810.116
From over 3 months to 6 months	8.880.195	9.147.964
From over 6 months to 1 year	12.346.999	13.403.172
From over 1 year to 18 months	14.169.546	12.454.198
From over 18 months to 2 years	10.303.755	11.963.686
From over 2 years to 5 years	49.812.808	57.262.755
Over 5 years	97.842.819	100.332.585
Maturity not attributed	12.713.428	35.683.610
Total	277.856.002	331.497.420

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	31/12/2023	31/12/2022	CHANGE	
			Amount	%
A) Public administrations	4.253.972	6.431.174	-2.177.202	-33,85%
B) Financial companies other than credit institutions	3.646.024	4.263.119	-617.095	-14,48%
- Monetary financial institutions	-	-	-	-
- Investment funds other than monetary market funds	-	257.652	-257.652	-100,00%
- Other financial institutions	3.644.696	4.003.829	-359.133	-8,97%
- Insurance companies	1.328	1.638	-310	-18,93%
- Pension funds	-	-	-	-
C) Non-financial companies	179.996.613	219.275.715	-39.279.102	-17,91%
of which Subjects canceled from the register of authorized subjects	2.998	35.597	-32.599	-91,58%
- Industry	85.062.939	96.337.880	-11.274.941	-11,70%
- Construction	7.933.483	12.335.304	-4.401.821	-35,68%
- Services	86.671.459	110.107.141	-23.435.682	-21,28%
- Other non-financial companies	328.732	495.390	-166.658	-33,64%
D) Families and non-profit institutions serving families	89.959.393	101.527.412	-11.568.019	-11,39%
- Consumer and producer families	84.280.152	96.379.660	-12.099.508	-12,55%
- Non-profit institutions serving families	5.679.241	5.147.752	531.489	10,32%
E) Other	-	-	-	-
Total	277.856.002	331.497.420	-53.641.418	-16,18%

Below is a summary of credits granted to members of the administrative, management or supervisory bodies.

DESCRIPTION	AGREED	USED	GUARANTEES GIVEN
Auditors	50.000	11.385	-
Board members	-	-	-
Management	-	-	-
Total	50.000	11.385	-

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, in the case of credit concessions, 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	/2023	
	Fixed assets	Non fixed assets	
Bonds and other debt financial instruments:	153.049.801	57.628.328	
a) Of public issuers	19.369.754	16.501.630	
b) Credit institutions	38.933.420	27.130.623	
c) Financial companies other than credit institutions	85.449.774	8.047.139	
d) Other issuers	9.296.853	5.948.936	
Shares stocks and other capital financial instruments	3.032.405	23.123.831	
a) Scudo Loan Management	,	3.767.104	
b) Fondo Green Arrow Private Debt Fund (ex TCO)	3.032.405	-	
c) Fondo Odisseo	"	11.500.362	
d) Other Equity Securities	-		
e) Other Funds	-	7.856.365	
of which Unavailable for repurchase agreements with retrocession obligation	68.486.955	·····	
Total	156.082.206	80.752.159	

Undiminished securities included in "Bonds and other financial debt instruments" are recorded at market value as of the balance sheet date, i.e. 31/12/2023, as required by the new valuation criteria set forth in Article IV.I.1, Paragraph 3, of CBSM Regulation 2016/02, which was disclosed in the opening chapter PART A Section 1: Illustration of valuation criteria "Bonds and other debt financial instruments".

On some structured securities and High Yield bonds in the investment and non-investment portfolio, the Bank had a valuation performed by leading independent consulting firms, transposing their fair value as of 31 December.

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 December 2021, according to the provision contained in CBSM Regulation 2022/01, amending CBSM Regulation 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 relationships signed in October 2011, obtaining the tax benefits provided by Law no.169 of 11 October 2011. The market countervalue of the fund, available as of 31 December 2023, is €3,767,104; following the provision contained in Law no.223 of 23 December 2020 (art.7), which limited the maximum amount of the benefits of the above decree, on a final basis, BAC has recorded a capital gain of €537,446 in the income statement in these financial statements; while the changes in the NAV recognized in the years prior to 31 December 2021 have been converted into tax credits, reclassified under "Other assets".
- From the Fondo Odisseo shares acquired in 2019, as a result of the transfer of legal relations in bulk of Protected Collection and Employment of Banca Nazionale Sammarinese Spa (formerly Banca CIS) subject to bank resolution pursuant to Law no.102 of 14 June 2019, the finalization of which took place through two closings, the first of which was signed on 16 September 2019, whereby BAC took over Protected Relationships in the amount of €25,452,429, against 122 units of the Fondo Odisseo totaling €12,209,728. The Fund was adjusted from time to time to the NAVs (Net Asset Value) communicated at each financial statement closing; as of 31 December 2023, a total revaluation of €1,236,688 was recorded, of which €393,466 was recorded as a reduction of the receivable previously recorded from BNS Spa (later to become SGA Spa), pursuant to the dotting agreement signed at the time, while the remaining amount of €843,222 was recorded in the Profit and Loss Account under profits and losses on financial transactions.
- From shares of Collective Investment Funds also valued at the market price recorded on the balance sheet date, as required by the new supervisory regulations that amended Article IV.I.1 paragraph 3 of CBSM Regulation 2016-02.

Pursuant to the aforementioned Law 223/2020, the total tax credit resulting from the past write-down of the Loan Management and Odisseo funds described above resides, as of 31 December 2023, at €8,661,844.

Table 5.2: breakdown of "Investment financial instruments"

ITEMS / VALUES		31/12/2023		31/12/2022		
	Purchase price	Book value	Fair value	Purchase price	Book value	Fair value
1. Financial debt instruments	151.936.312	153.049.801	140.163.823	149.381.354	150.341.147	141.217.361
1.1. Bonds	151.936.312	153.049.801	140.163.823	149.381.354	150.341.147	141.217.361
- Listed	49.803.069	49.933.935	44.964.222	52.523.519	52.644.121	45.144.696
- Not listed	102.133.243	103.115.866	95.199.601	96.857.835	97.697.026	96.072.665
1.2. Other financial debt instruments	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Not listed	-	-	-	-	-	-
2. Equity financial instruments	7.442.554	3.032.405	3.032.405	7.442.554	4.231.733	4.231.733
- Listed	-	-	-	-	-	-
- Not listed	7.442.554	3.032.405	3.032.405	7.442.554	4.231.733	4.231.733
Total	159.378.865	156.082.206	143.196.228	156.823.908	154.572.880	145.449.094

Differences recognized between book value and fair value are attributable:

- as for €1,403,506, to the recognition of the scrap of fixed assets and accruals, as required by regulations and specified in the valuation criteria, and
- as for €11,482,471, to deviations from market prices recorded on institutional
 markets as a result of the persistent volatility on bonds; these deviations,
 since they refer to investments that by their nature will be brought to maturity,
 on the basis of the current assessment of issuer risk, will be cancelled by the
 redemption value; therefore, in the absence of further indications of asset
 depletion, they are not to be considered impairment losses.

Included in the portfolio under review is a listed subordinated debt security issued by a leading international bank issuer with a book value of €4,201,364.

Table 5.3: annual changes in investment financial instruments

DESCRIPTION	31/12/2023	31/12/2022	
Opening balance	154.572.880	47.679.828	
Increases	13.373.070	120.972.244	
1. Purchases	12.431.168	90.174.000	
of which Debt financial instruments	12.431.168	90.174.000	
2. Value recoveries	157.684	-	
3. Transfers from the investment portfolio	-	29.660.667	
4. Other increases	784.218	1.137.577	
Decreases	11.863.744	14.079.192	
1. Sales	-	10.173.500	
of which Debt financial instruments	-	10.173.500	
2. Refunds	10.266.190	3.684.033	
of which Debt financial instruments	10.266.190	550.000	
3. Value adjustments	-	76.787	
of which Lasting devaluations	-	76.787	
4. Transfers to the investment portfolio	-	-	
5. Other decreases	1.597.554	144.872	
Closing balance	156.082.206	154.572.880	

It should be noted that the other changes, both increases and decreases, accommodate the scraps of fixed assets and accruals, where present with algebraic balance.

It should be noted that the item purchases include in particular, junior and mezzanine securities from the system securitization in the amount of $\[\in \]$ 7,034,980 and $\[\in \]$ 4,376,188, respectively.

Table 5.4: breakdown of "trading financial instruments"

ITEMS / VALUES	31/12/2023	31/12/2022
	Fair value	Fair value
1. Financial debt instruments	57.628.328	41.078.792
1.1. Bonds	57.628.328	41.078.792
- Listed	21.313.932	2.467.692
- Not listed	36.314.396	38.611.100
1.2. Other financial debt instruments	-	-
- Listed	-	-
- Not listed	-	-
2. Equity financial instruments	23.123.831	38.235.447
- Listed	-	19.314.725
- Not listed	23.123.831	18.920.722
Total	80.752.159	79.314.239

In order to represent the comparability of the market value of the trading securities portfolio, following the change in the valuation criterion described above, the retroactive and prospective effects of the valuation of trading securities have been shown in the table below.

	SECURITIES CO	UNTERVALUE			
VALUATION CRITERION	31/12/2023	31/12/2022			
Value at closing date (mark to market)	80.752.159*	79.077.637			
Average value of the closing month	80.378.415	79.314.239*			
Economic and equity effect (at the reporting date)	373.744	-236.601			

^{*} Value recorded in the balance sheet

Therefore, if we had applied the new valuation criterion as of 31 December 2022, we would have recognized a higher capital loss of €236,301 (retroactive effect). Conversely, if we had valued the trading investment securities as of 31 December 2023 under the constant valuation criterion, i.e., at the monthly average of market prices recorded in December 2023, we would have recognized a lower capital gain of €373,744 (prospective effect).

Table 5.5: annual changes in "trading financial instruments"

DESCRIPTION	31/12/2023	31/12/2022
Opening balance	79.314.239	62.992.014
Increases	71.743.571	110.724.287
1. Purchases	67.196.464	108.794.785
of which Debt financial instruments	54.475.011	86.213.360
of which Equity financial instruments	12.721.453	22.581.425
2. Value recoveries and revaluations	3.226.313	1.450.285
3. Transfers from the investment portfolio	-	-
4. Other increases	1.320.794	479.217
Decreases	70.305.651	94.402.062
1. Sales and refunds	67.402.514	62.445.542
of which Debt financial instruments	37.223.495	57.031.883
of which Equity financial instruments	30.179.019	5.413.659
2. Value adjustments and write-downs	2.436.727	2.011.816
3. Transfers to the investment portfolio	-	29.660.667
4. Other decreases	466.409	284.037
Closing balance	80.752.159	79.314.239

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) 31/12/2023	Fair Value	Share of net equity (A)	Comparisons (A-B)
A. Imprese del gruppo											
Bac Trustee	S.p.a.	Via Tre Settembre, 316 - 47891 Dogana RSM	Non-financial company	100.000	320.814	121.333	100,00%	211.614	-	320.814	109.200
BAC Life	S.p.a	Via Tre Settembre, 316 - 47891 Dogana RSM	Insurance activities	6.000.000	7.193.230	452.889	100,00%	6.785.630	-	7.193.230	407.600
Bac Real Estate	S.r.L	Via Tre Settembre, 316 - 47891 Dogana RSM	Real estate trading activities	75.000	261.742	-17.947	100,00%	261.742	-	261.742	-
BAC Investiments SG	S.p.a.	Via Tre Settembre, 316 - 47891 Dogana RSM	Other financial institutions	500.000	730.461	183.181	100,00%	565.598	-	730.461	164.863
San Marino finanza e previdenza	S.r.l.	Via Tre Settembre, 316 - 47891 Dogana RSM	Non-financial company	26.000	128.682	83.221	51,00%	27.430	-	65.628	38.198
B. Imprese collegate											
Società servizi informatici sammarinese S.S.I.S	S.p.a.	Strada Cardio, 22 - 47899 Serravalle RSM	Automatic data processing services	500.000	550.276	-25.226	50,00%	275.138	-	275.138	-
Centro servizi	S.r.l.	Via XXV Marzo, 58 - 47895 Domagnano RSM	Automatic data processing services	74.886	695.693	32.094	33,33%	333.333	-	231.874	-101.459
BKN301 Spa	S.p.a.	Via III Settembre, 99 - 47891 Dogana	Other financial institutions	4.528.361	12.405.387	-1.984.443	19,22%	916.931	-	1.513.964	597.033
NCO Immobiliare Srl	S.p.a.	Via III Settembre, 99 - 47891 Dogana	Services	1.546.231	-367.912	-1.914.143	29,00%	21.750	-	-106.694	-128.444
C. Altre imprese partecipate											
Banca centrale della Repubblica di San Marino	S.p.a.	Via del Voltone, 120 - 47890 San Marino RSM	Banking activities	12.911.425	56.581.492	-	5,00%	4.059.241	-	2.829.075	-1.230.166
Agenzia per lo sviluppo economico - Camera di commercio	S.p.a.	Strada di Paderna, 2 - 47895 Domagnano RSM	Services	77.466	1.538.730	309.355	1,33%	1.033	-	20.465	19.432
S3-Special Servicer Sammarinese Srl	S.r.l.	Piazza Bertoldi, 8 Serravalle 47899	Services	25.500	25.500	-	33,00%	8.415	-	8.415	-

The equity valuations shown in the table above were made with the figures approved by the shareholders' meetings or administrative bodies of the respective companies as of 31 December 2023, for all companies with a holding percentage of 50% or more.

Investee companies

The shareholding in San Marino Central Bank has remained unchanged; it constitutes 5% of the share capital and is represented by 125 shares of €5,164 each. The value of the share recorded in the financial statements, following the revaluation that took place in 2013, corresponds to the valuation according to the equity method, based on the values expressed in the financial statements as of 31 December 2013. The positive balance of the revaluation was recorded in a revaluation equity reserve amounting to €3,004,030. With reference to the change between the amount recorded in the financial statements and the corresponding share of shareholders' equity, it is not believed that there is any basis for recording impairment losses on the investment at this time.

The percentage of ownership in S.S.I.S. Spa (Società Sistemi Informatici Sammarinese) remains at 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; for this equity investment, the valuation at equity 2023 was made. This resulted in a write-down of €12,613 for the 2023 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 Agenzia per lo Sviluppo Economico - Camera di Commercio 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 exercise 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 plays the role of technology manager, in an exclusive form, of the SmaC platform. With reference to the discrepancy 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.

The subsidiary BKN301 S.p.A is carried in the amount of €0.917 million and the holding percentage has decreased from the previous year to 19.22%, a reduction attributable from the entry of new, highly accredited international partners.

The company is currently focusing its development efforts on international projects in foreign markets judged to have a high growth rate, especially in the online payments/capital transfer sector that include the implementation of a Banking/Payment-as-a-service strategy, which includes the development, design, implementation, and delivery of application software, IT assets, and digital assets, including blockchain and virtual assets. Even for this investment, no impairment is deemed to exist, given the valuation of the company used in the share sales and the second capital increase transaction initiated from 2022 and finalized during 2023.

The subsidiaries also include NCO Immobiliare Srl, which was established in 2022 together with other San Marino banks for the purpose of protecting their respective claims against a common debtor. A reconstitution of share capital was carried out in 2024, cancelling the negative differential.

Lastly, the company S3 Special Servicer Sammarinese S.r.l. was established in 2023, in which BAC holds a 33.00% stake and recorded in the balance sheet at a value of €8,415. The company is in charge of managing and demobilizing bank assets or securitized assets on behalf of Veicolo di Sistema S.r.l., following the completion of the system securitization transaction, ex lege 157/2021, which took place in December 2023.

Group shareholdings

In the year 2023, BAC Investments SG Spa, in its sixth year of operation, closed with a profit of €183,181 for the year, 90% of which was set aside for dividends, as proposed by the Administrative Body. Therefore, the Bank has aligned the value of the equity investment with the Net Equity, revaluing it and entering the

counterpart for the remaining 10% to the revaluation reserve.

BAC Trustee Spa, formerly Bac Fiduciaria Spa, in 2020 transferred en bloc to the parent company all activities related to the management of trust mandates, which was concluded during 2021. The draft 2023 financial statement, approved by the governing body, provided for the distribution of 90% of the operating profit earned in 2023 to the sole shareholder BAC, amounting to €109,199.

For BAC Real Estate Srl, a write-down of euro 17,947 was made for the 2023 loss; a capital contribution to equity of euro 170,000 was approved in 2023.

The equity investment in BAC Life Spa was also adjusted to the equity of the investee based on the results of the 2023 financial year, which provided for the distribution of 90% of the profit to the sole shareholder BAC, amounting to €407,600.

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, ended the year with a net income of €83,221, 90% of which will be distributed and the remaining 10% capitalized.

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

Table 6.2: breakdown of item 70 "Shareholdings"

ITEMS / VALUES		31/12/2023		31/12/2022			
	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	-	916.931	916.931		
- Listed	-	-	-	-	-		
- Not listed	916.931	916.931	-	916.931	916.931		
Others	614.528	639.669	-	606.113	643.868		
- Listed	-	-	-	-	-		
- Not listed	614.528	639.669	-	606.113	643.868		
Total	2.177.030	5.615.841	-	2.168.615	5.620.040		

Table 6.3: breakdown and changes in item 80 "Shareholdings in group companies"

ITEMS / VALUES		31/12/2023		31/12/2022			
	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	7.562.842	-	6.600.000	7.487.101		
- Listed	-	-	-	-	-		
- Not listed	6.600.000	7.562.842	-	6.600.000	7.487.101		
Others	88.260	289.172	-	88.260	132.874		
- Listed	-	-	-	-	-		
- Not listed	88.260	289.172	-	88.260	132.874		
Total	6.688.260	7.852.014	-	6.688.260	7.619.975		

Table 6.4: annual changes in item 70 "Shareholdings"

DESCRIPTION	31/12/2023
A) Opening balance	5.620.040
B) Increases	8.415
B1. Purchases	8.415
B2. Value recoveries	-
B3. Revaluations	-
B4. Other increases	-
C) Decreases	12.614
C1. Sales	-
C2. Value adjustments	12.614
of which Lasting devaluations	12.614
C3. Other decreases	-
D) Closing balance	5.615.841
E) Total revaluations	-
F) Total adjustments	-

Table 6.5: annual changes in item 80 "Shareholdings in group companies"

DESCRIPTION	31/12/2023
A) Opening balance	7.619.975
B) Increases	249.986
B1. Purchases	-
B2. Value recoveries	-
B3. Revaluations	79.986
B4. Other increases	170.000
C) Decreases	17.947
C1. Sales	-
C2. Value adjustments	17.947
of which Lasting devaluations	17.947
C3. Other decreases	-
D) Closing balance	7.852.014

As explained above, the item: "B4. Other Changes" includes the capital contribution to equity of €170,000 referred to the subsidiary BAC Real Estate Srl.

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

Corporate position

BAC Trustee Spa	BAC Trustee Spa 31/12/2023		Resulting net equity	
Share capital	100.000	-	100.000	
Legal reserve	99.481	12.133	111.614	
Other reserves	-	-	-	
To shareholders	-	109.199	-	
Profit for the year	121.333	-121.333	-	
Total	320.814	_	211 614	

BAC Life Spa	31/12/2023	2023 Profit allocation	Resulting net equity
Share capital	6.000.000	-	6.000.000
Legal reserve	653.545	45.289	698.834
Other reserves	86.796	-	86.796
To shareholders	-	407.600	-
Profit for the year	452.889	-452.889	-
Total	7.193.230	-	6.785.630

BAC Real Estate Srl	31/12/2023	Depreciation	Resulting net equity
Share capital	75.000	-	75.000
Legal reserve	170.000	-	170.000
Other reserves	34.689	-17.947	16.742
To shareholders	-	-	-
Profit for the year	-17.947	17.947	-
Total	261.742	-	261.742

BAC Investments SG Spa	31/12/2023	2023 Profit allocation	Resulting net equity
Share capital	500.000	-	500.000
Legal reserve	35.668	18.318	53.986
Other reserves	11.612	-	11.612
To shareholders	-	164.863	-
Profit for the year	183.181	-183.181	-
Total	730.461	-	565.598

San Marino Finanza e Previdenza Srl	31/12/2023	2023 Profit allocation	Settlement due to BAC	Resulting net equity	of which BAC
Share capital	26.000	-	-	26.000	13.260
Legal reserve	19.461	8.322	4.244	27.783	14.169
Other reserves	-	-	-	-	-
To members	-	74.899	38.198	-	-
Profit for the year	83.221	-83.221	-42.443	-	-
Total	128.682	-	-	53.783	27.429

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

DESCRIPTION	31/12/2023	31/12/2022	
Assets	110.153.303	106.674.78	
- Loans to credit institutions	106.344.071	103.078.488	
of which subordinates	-	-	
of which Associated companies	-	-	
of which Subordinates	-	-	
- Loans to other financial companies	1.470.584	1.012.112	
of which Subordinates	-	-	
of which Associated companies	1.470.584	1.012.112	
of which Subordinates	-		
- Loans to other companies	2.338.648	2.584.189	
of which Subordinates	-		
of which Associated companies	2.338.648	2.584.189	
of which Subordinates	-		
- Bonds and other debt financial instruments	-		
of which Subordinates	-		
of which Associated companies	-		
of which Subordinates	-		
Liabilities	452.458	781.249	
- Amounts due to credit institutions	-		
of which Associated companies	-		
- Amounts due to other companies	452.458	781.249	
of which Associated companies	295.649	664.912	
- 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 €106,344,071, are entirely represented by the relationships held with the Central Bank of the Republic of San Marino, including the ROB (Compulsory Reserve) escrow deposit and for the Depositors' Guarantee Fund, as well as the Escrow Account set up in 2023 to guarantee the payments inherent in the senior securities deriving from the securitization; the item "receivables from other financial companies, of which from associated companies," valued at €1,470,584, expresses the receivables from the investee company BKN301 Spa. "Receivables from other companies," amounting to €2,338,648, include exposures to the Company SSIS Spa and to NCO Immobiliare

Srl. Liabilities include current account balances turned in to BKN301 Spa, SSIS Spa, NCO Immobiliare Srl and Centro Servizi Srl, as associated companies, as well as the current account balance turned in to the Camera di Commercio Spa.

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

DESCRIPTION	31/12/2023	31/12/2022
Assets	-	10.311.54
- Loans to credit institutions	-	
of which Subordinates	-	
- Loans to other financial companies	-	
of which Subordinates	-	
- Loans to other companies	-	10.311.54
of which Subordinates	-	
- Bonds and other debt financial instruments	-	
of which Subordinates	-	
Liabilities	1.517.254	1.887.23
- Amounts due to credit institutions	-	
- Amounts due to other companies	1.517.254	1.887.23
- Payables represented by financial instruments	-	
- Subordinate liabilities	-	
Guarantees and commitments	-	
- Guarantees given	-	
- Commitments	-	

The item "Due to other companies" consists of the current account balances of BAC Life Spa, BAC Investments SG Spa, BAC Trustee Spa, BAC Real Estate Spa and San Marino Finanza e Previdenza Srl.

7. Intangible fixed assets (asset item 90)

Table 7.1: description and movements of item 90 "intangible fixed assets"

ANNUAL CHANGES	31/12/2023	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	1.425.025	420.731	-	-	-	-	-	-	-	1.004.294
B. Increase	1.467.662	436	-	-	-	-	-	-	-	1.467.226
B1. Purchases	1.467.226	-	-	-	-	-	-	-	-	1.467.226
B2. Value recoveries	303	303	-	-	-	-	-	-	-	-
of which By creditworthiness	303	303	-	-	-	-	-	-	-	-
B3. Revaluations	-	-	-	-	-	-	-	-	-	-
B4. Other increases	133	133	-	-	-	-	-	-	-	-
C. Decreases	321.518	50.814	-	-	-	-	-	-	-	270.704
C1. Sales	-	-	-	-	-	-	-	-	-	-
C2. Value adjustments	321.104	50.696	-	-	-	-	-	-	-	270.408
of which Depreciation and amortization	321.104	50.696	-	-	-	-	-	-	-	270.408
of which Lasting devaluations	-	-	-	-	-	-	-	-	-	-
of which by Creditworthiness	-	-	-	-	-	-	-	-	-	-
C3. Other decreases	414	118	-	-	-	-	-	-	-	296
D. Closing balance	2.571.169	370.353	-	-	-	-	-	-	-	2.200.816

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.

CONCESSION RIGHTS AND UNDERPASS INFRASTRUCTURE	2023	2022
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	-619.305	-577.492
of which Depreciation charge for the year	-41.813	-41.813
Closing balance	635.090	676.903

Table 7.2: breakdown of item 90 "intangible fixed assets"

ITEMS / VALUES		31/12/2023		31/12/2022			
	Purchase price / production cost	Book value	Fair value	Purchase price / production cost	Book value	Fair value	
A) Financial leasing	564.524	370.353	-	564.524	420.731		
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	3.459.238	2.200.816	-	2.065.448	1.004.294		
Total	4.023.762	2.571.169	_	2.629.972	1.425.025		

8. Tangible fixed assets (asset item 100)

Table 8.1: movements and description of item 90 "Tangible fixed assets"

ANNUAL CHANGES	31/12/2023	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	164.009.127	58.013.312	14.006.957	2.192.829	2.192.829	77.031.407	77.031.407	26.229.750	541.829
B) Increase	32.480.089	16.851.211	2.614.867	1.176.851	1.176.851	14.339.684	14.339.684	33.251	79.092
B1. Purchases	28.493.588	13.980.390	1.435.643	781.972	781.972	13.652.134	13.652.134	-	79.092
B2. Value recovery	1.037.832	668.803	18.833	369.029	369.029	-	-	-	-
of which by Creditworthiness	1.037.832	668.803	18.833	369.029	369.029	-	-	-	-
B3. Revaluations	-	-	-	-	-	-	-	-	-
B4. Other increases	2.948.669	2.202.018	1.160.391	25.850	25.850	687.550	687.550	33.251	• • • • • • • • • • • • • • • • • • • •
C) Decreases	37.022.459	30.910.826	16.430.018	3.369.680	3.369.680	1.642.403	1.642.403	944.431	155.119
C1. Sales	8.523.307	7.902.286	5.155.806	-	-	621.021	621.021	-	-
C2. Value adjustments	12.498.623	11.398.969	15.852	-	-	104	104	944.431	155.119
of which Depreciation and amortization	11.893.923	10.794.373	-	-	-	-	-	944.431	155.119
of which Lasting devaluations	15.011	14.907	14.907	-	-	104	104	-	-
of which By creditworthiness	589.689	589.689	944	-	-	-	-	-	-
C3. Other decreases	16.000.529	11.609.571	11.258.360	3.369.680	3.369.680	1.021.278	1.021.278	-	-
D. Closing balance	159.466.757	43.953.697	191.806	-	-	89.728.688	89.728.688	25.318.570	465.802

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.

It should also be noted that the item: "C3. "Other changes" in the segment of decreases to the specific item: "Assets awaiting lease termination" are also included the fixed assets referring to financial leasing operations subject to transfer to Veicolo di Sistema, for a total of €1,096,668.

Table 8.2: breakdown of item 100 "Tangible fixed assets"

ITEMS / VALUES		31/12/2023		31/12/2022 proforma			
	Purchase price / production cost	Book value	Fair value	Purchase price / production cost	Book value	Fair value	
A) Financial leasing	120.954.662	43.953.697	-	138.068.627	58.013.312		
of which Assets under construction	642.500	191.806	-	15.952.565	14.006.957		
B) Assets awaiting lease termination	-	-	-	4.570.491	2.192.828		
of which Due to default by the tenant	-	-	-	4.570.491	2.192.828		
C) Assets available from debt collection	-	89.728.688	=	-	77.031.407		
of which Assets available for credit extinction by means of a settlement agreement	-	89.728.688	-	-	77.031.407		
D) Lands and Buildings	42.008.674	25.318.570	-	41.975.423	26.229.751		
E) Other tangible fixed assets	1.162.739	465.802	-	1.409.962	541.829		
Total	164.126.075	159.466.757	-	186.024.503	164.009.127		

"B. Assets awaiting lease termination" includes fixed assets returned to full possession of the Bank as a result of termination due to default of the lessees of lease contracts. These amounts are also included in the table detailing loans to customers, as required by the regulations on the preparation of financial statements (CBSM Regulation 2016/02). The item "C. Assets available for collection" includes real estate assets owned for €89,728,688, 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 has identified in the corporate organizational chart a dedicated Structure, called Real Estate Function, which takes care of their maintenance, relocation and sale. As already described in Table 4.3 - Situation of cash loans to customers, the Bank, following discussions with the Supervisory Authority, reclassified four secondary leasing transactions finalized in 2022, which are similar in some respects to operating leases, by relocating them to item 100: "c) Assets available for collection," and reversing them from item 100: "a) Financial leases" for the remaining debt and from item 130: "Other assets" for the countervalue of redemptions, for a total of €809,355.

These limited transactions, both in number and in amount, involved properties already in the bank's possession as a result of past settlement agreements reached with defaulting debtors; the Bank, with a view to encouraging the disposal of these properties, has set up these transactions in 2022 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. Given the necessary reclassification of the same, the bank will not carry out any further transactions of this nature.

ITEMS / VALUES	31/12/20	023	31/12/2022		
Ī	Book value	Fair value	Book value	Fair value	
A) Assets acquired from credit recovery deriving from financial leasing contracts	79.467.946	-	66.519.370		
A1. Real estate	79.467.946	-	66.519.266		
of which for Residential use	13.105.336	-	9.992.254		
of which for Non-residential use	66.362.610	-	56.527.012		
A2. Movable property	-	_	104		
of which Vehicles	-	-	-		
of which Naval aircraft	-	-	-		
of which Other	-	-	104		
B) Assets acquired from credit recovery deriving from other loan agreements	10.260.742	-	10.512.037		
31. Real estate	10.260.742	-	10.512.037		
of which for Residential use	4.411.213	-	4.662.508		
of which for Non-residential use	5.849.529	-	5.849.529		
32. Movable property	-	_	-		
of which Vehicles	-	-	-		
of which Naval aircraft	-	-	-		
of which Other	-	-	-		
Total	89.728.688	-	77.031.407		

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

Table 8.4: leasing to credit institutions and customers (residual principal and overdue rents)

CATEGORIES / VALUES	Totali 31/12/2023	of which Leasing to credit institutions	of which Leasing to customers
Leasing - Total	46.796.833	-	46.796.833
A) Of which for overdue fees	2.472.783	-	2.472.783
B) Of which Residual principal credit	44.324.050	-	44.324.050
B1. Intangible fixed assets	- -	-	-
- Financial leasing	370.353	-	370.353
- Assets awaiting lease termination	-	-	-
B2. Tangible fixed assets	-	-	-
- Financial leasing	43.953.697	-	43.953.697
- Assets awaiting lease termination	-	-	-

Corporate position

9. Subscribed and unpaid capital (asset item 110)

board of directors

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 31/12/2022	553	0,07%	14.378	14.378
Purchases	-	-	-	-
Sales	-	-	-	-
Values as of 31/12/2023	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	31/12/2023	31/12/2022 proforma
Guarantee margins	-	-
Premiums paid for options	-	-
Other activities	124.367.691	137.733.448
of which Various debtors:	124.367.691	137.733.448
Charges to be settled	4.478.406	5.957.264
Other sundry items (security deposits and others)	1.695.405	1.062.883
Customers for invoices issued	613.033	778.816
Receivables and other tax items	9.806.171	9.707.999
Doubts on collection	82.744.924	90.978.487
Amounts to be received from other customers	1.781.485	1.453.276
Amounts to be received from banks	339.459	304.154
Suspension for value adjustments law 173/2018 art.40	22.908.809	27.490.570

"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: ""Suspension of value adjustments pursuant to Article 40 Law 173/2018" corroborated for €22,908,809, represents the AQR adjustments still suspended, by virtue of the relevant law, for 5/10 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

DESCRIPTION	31/12/2023	31/12/2022
Tax-related accounting items	9.806.171	9.707.998
- Tax credit Law 227/2020	8.661.844	9.139.671
Deferred tax assets pursuant to article 11 Law 154/2019	1.144.327	568.327
Total	9.806.171	9.707.998

The item "Tax Credit Law 227/2020," valued at €8,661,844, includes the tax credit finally recognized by the Tax Office on 21/2/2022, net of utilizations, pursuant to Law 227/2020, which established the maximum amount of tax benefits arising from valuations at NAV as of 31/12/2020 of the Loan Management Fund and the Fondo Odisseo.

The item "Deferred tax assets pursuant to article 11 Law 154/2019" contains deferred tax assets calculated on tax losses that can be carried forward fully and indefinitely by means of time-to-time franking by the Bank.

Corporate position

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

Table 12.1: breakdown of item 140 "Accrued Income and Prepaid Ex-penses"

DESCRIPTION	31/12/2023	31/12/2022
A) Accrued income	287.370	248.063
- On loans to customers	-	-
- On loans to banks	-	15.338
- Other accrued income	287.370	232.725
B) Prepaid expenses	532.466	158.616
- On rents payable	21.000	20.971
- On administrative expenses	511.466	137.645
Total	819.836	406.679

Relevant accruals are carried as adjustments to assets and liabilities in compliance with the provisions of CBSM Regulation 2016/02, Article IV.I.14. Item 140 includes residual amounts not attributable to specific asset and liability items. Prepaid expenses include, in particular, up-front costs for setting up the securitization transaction pertaining to BAC in the amount of €334,425.

Information on the Statement of Assets and Liabilities - Liabilities

13. Due to credit institutions (liability item 10)

Table 13.1: detail of item 10 "Amounts due to credit institutions"

DESCRIPTION		31/12/2023			31/12/2022			CHANGE	
	In euro	In foreign currency	Total	In euro	In foreign currency	Total	Amount	%	
A) At sight:	1.252.024	840	1.252.864	904.205	870	905.075	347.789	38,43%	
A1. Reciprocal accounts opened for services rendered	1.252.024	-	1.252.024	904.205	-	904.205	347.819	38,47%	
A2. Free deposits	-	-	-	-	-	-	-	-	
A3. Others	-	840	840	-	870	870	-30	-3,43%	
B) At term or with notice	679.148	-	679.148	2.224.773	-	2.224.773	-1.545.626	-69,47%	
B1. Passive current accounts	-	-	-	-	-	-	-	-	
B2. Term deposits	679.148	-	679.148	2.224.773	-	2.224.773	-1.545.626	-69,47%	
B3. Repurchasing agreements and passive carry-overs	-	-	-	-	-	-	-	-	
B4. Other financing	-	-	-	-	-	-	-	-	
Total	1.931.172	840	1.932.012	3.128.978	870	3.129.848	-1.197.836	-38,27%	

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	31/12/2023	31/12/2022
At sight	1.252.864	905.075
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	679.148	964.773
From over 18 months to 2 years	-	-
From over 2 years to 5 years	-	-
Over 5 years	-	-
Maturity not attributed	-	-
Total	1.932.012	3.129.848

14. Due to customers (liability item 20)

Table 14.1: details of item 20 "Due to customers"

DESCRIPTION		31/12/2023			31/12/2022		CHANGE		
	In euro	In foreign currency	Total	In euro	In foreign currency	Total	Amount	%	
A) At sight:	416.287.518	8.239.096	424.526.614	494.212.978	8.014.690	502.227.668	-77.701.054	-15,47%	
A1. Passive current accounts	414.816.145	8.239.096	423.055.241	492.199.630	8.014.690	500.214.320	-77.159.079	-15,43%	
A2. Savings deposits	1.471.373	-	1.471.373	2.013.348	-	2.013.348	-541.975	-26,92%	
A3. Others	-	-	-	-	-	-	-	-	
B) Term or with notice	110.051.753	-	110.051.753	134.754.157	-	134.754.157	-24.702.404	-18,33%	
B1. Term passive current accounts	-	-	-	-	-	-	-	-	
B2. Restricted savings deposits	-	-	-	-	-	-	-	-	
B3. Repurchase agreements and passive carry-overs	67.990.078	-	67.990.078	72.782.366	-	72.782.366	-4.792.288	-6,58%	
B4. Other funds	42.061.675	-	42.061.675	61.971.791	-	61.971.791	-19.910.116	-32,13%	
Total	526.339.271	8.239.096	534.578.367	628.967.135	8.014.690	636.981.825	-102.403.458	-16,08%	

This table provides details of item 20 of liabilities. In reclassifying amounts due to customers, internal checks, recorded in "Other liabilities" in the amount of

€1,306,211 (€571,736 as of 31/12/2022) were excluded. A combined reading of the tables above and below shows an overall contraction in amounts due to customers (-16.08%), attributable to a re-composition of investments in indirect deposits and certificates of deposit.

Table 14.2: breakdown of amounts due to customers based on residual life

MATURITY	31/12/2023	31/12/2022
At sight	424.526.614	502.227.668
Up to 3 months	8.522.718	59.607.041
From over 3 months to 6 months	58.388.207	60.863.921
From over 6 months to 1 year	43.140.828	14.283.195
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	534.578.366	636.981.825

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		31/12/2023		31/12/2022		CHANGE		
	In euro	In foreign currency	Total	In euro	In foreign currency	Total	Amount	%
Bonds	-	-	-	-	-	-	-	
of which Held by credit institutions	-	-	-	-	-	-	-	
Certificates of deposit	210.166.827	-	210.166.827		-	161.664.475	48.502.352	30,00
of which Held by credit institutions	-	-	-	-	-	-	-	
Other financial instruments	-	-	-	-	-	-	-	
of which Negotiated acceptances	-	-	-	-	-	-	-	
of which outstanding bills	-	-	-	-	-	-	-	
of which atypical securities	-	-	-	-	-	-	-	
Total	210.166.827	-	210.166.827	161.664.475	-	161.664.475	48.502.352	30,00

Customers have favored maturity investments, particularly in Certificates of Deposit following the increase in market rates over the past 12 months.

16. Other liabilities (liability item: 40)

Table 16.1: breakdown of item 40 "Other liabilities"

OTHER LIABILITIES	31/12/2023	31/12/2022 proforma	
Guarantee margins	-	-	
Awards received for options	-	-	
Cheques in circulation and similar securities	1.306.211	571.736	
Others:	92.161.959	101.934.262	
Other residual items	164.492	488.199	
Receivables for collection	84.861.853	93.062.680	
Commitments to suppliers and invoices to be received	3.148.958	3.194.402	
Amounts to be paid to the tax authorities	584.936	424.315	
Amounts to be settled with banks	183.795	353.165	
Amounts to be paid to third parties	3.217.925	4.411.501	
Total	93.468.171	102.505.998	

Amounts to be paid to the tax authorities" include the amount of withholding taxes made by the Bank as withholding agent pursuant to Law 166/2013 and pending to be paid to the Tax Office within the legal deadlines.ge.

Table 16.2: amounts due for e money

DESCRIPTION	31/12/2023	31/12/2022 proforma	
For nominative instruments	130.822	137.424	
of which Rechargeable	130.822		
of which Non-rechargeable	-	-	

La presente tabella riporta l'ammontare complessivo delle ricariche eseguite dalla clientela sulle carte prepagate e utilizzabili come strumento di pagamento.

Corporate position

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

Table 17.1: breakdown of item 50 "Accrued expenses and deferred income"

DESCRIPTION	31/12/2023	31/12/2022
A) Accrued liabilities	-	339
A1. Accrued liabilities on derivative contracts	-	339
B) Deferred income	122.916	238.093
B1. Deferred income from foreign portfolio	4.978	2.204
B2. Deferred commission income unsecured loans	56.502	60.084
B3. Other deferred income	-	12.825
B4. Deferred income on rental income	61.436	162.980
Total	122.916	238.432

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	31/12/2023	31/12/2022	
Opening balance	516.074	516.480	
Increases:	534.170	524.859	
- Provisions	534.170	524.859	
- Other increases	-	-	
Decreases:	517.229	525.265	
- Uses	517.229	525.265	
- Other decreases	-	-	
Closing balance	533.015	516.074	

Severance, as required by current regulations, is paid annually to employees. Therefore, the balance corresponds to the portion for the year 2023.

Table 18.2: breakdown of item 70 "Provisions for risks and charges"

COMPOSITION	31/12/2023	31/12/2022		
Pension funds and similar obligations	-	-		
Taxes and fees fund 13.803				
Other funds	1.296.509			
- Claims and revocation fund	520.341 2:			
- Provision for charges to be settled	766.213 40			
- Charity fund	9.955			
Total	otal 1.310.312			

For the year under review, no provision was made to the Provision for Taxes and Fees because, in the 2023 financial year, no taxable matter arises due to the presence of past tax loss carry forwards, as well as deductions from the application of Article 11 pursuant to Law 154/2019.

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 31/7/2020 the amount claimed by the Internal Revenue Service by way of taxes and oblated 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 of the amounts already crystallized by the Internal Revenue Service. The installment payments pertaining to 2023 were recorded in the profit and loss account under indirect taxes in the amount of €37,983.

The provision for lawsuits and claims was prudently increased to cover potential risks arising from pending lawsuits and proceedings by an additional €0.262 million in addition to utilizations of €0.024 million.

In 2023, the provision for contingent liabilities, which was established to meet any future contractual obligations, probable and not certain, even if estimated, was replenished on a prudent basis.

Finally, as determined by the 2023 AGM, BAC allocated €10,000 to the fund for charitable activities.

Corporate position

DESCRIPTION	31/12/2023	31/12/2022	
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"

DESCRIPTION	31/12/2023	31/12/2022	
Opening balance	692.208	997.090	
Increases:	649.141	118.999	
- Provisions	649.141	115.059	
- Other increases	-	3.940	
Decreases:	44.840	423.882	
- Uses	29.154	423.882	
- Other decreases	15.685	-	
Closing balance	1.296.509	692.208	

Table 18.5: movements of item 80 "Provisions for risks on credits"

DESCRIPTION	31/12/2023	31/12/2022		
Opening balance	600.000			
Increases:	-	600.000		
- Provisions	-	600.000		
- Other increases	-	-		
Decreases:	-	-		
- Uses	-	-		
- Other decreases	-	-		
Closing balance	600.000	600.000		

By its very nature, the Provision for Credit Risks is intended to cover only possible credit risks and has no asset adjustment function. In the current financial year, it was not further replenished, nor did it have any drawdowns.

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"

DESCRIPTION	31/12/2023	31/12/2022	
Items / Values	-	-	
Opening balances	-	-	
Contributions during the year	1.423.222	-	
Disbursements during the year	-	-	
Closing balances	1.423.222		

As a precautionary and prudent measure, a provision of €1,423,222 was made to the general financial risk fund to cover general business risks.

The fund represents a positive component of core regulatory capital.

Table 19.2: breakdown of item 100 "Subordinate liabilities"

DESCRIPTION	31/12/2023	31/12/2022	CHANGE	
			Amount	%
Subordinated liabilities	2.400.922	2.400.988	-66	-
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	31/12/2023		31/12/2023 31/12/2022		СНА	NGE		
	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	31/12/2023	31/12/2022	CHANG	E
			Amount	%
a) Ordinary or legal reserve	46.936.389	46.726.154	210.235	0,45%
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	967.554	126.612	840.942	86,91%
Total	47.918.321	46.867.144	1.051.177	2,24%

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 is attributable to the capitalization of 20% of the profit realized in 2022, as required by BCSM Regulation 2007/07 for a total of €210,235, while the item "d) Other reserves," replenished for €840,942, includes the remaining 80% of the 2022 profit, to be used as a Non-Distributable Reserve Fund, usable to 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 trading portfolio to the free portfolio, carried out in the 2020 and 2021 financial years.

Table 19.6: breakdown of item 140 "Revaluation reserves"

DESCRIPTION	31/12/2023	31/12/2022	CHA	NGE
			Amount	%
Revaluation reserve	18.184.128	18.116.756	18.116.756	0.37%

The revaluation reserve incorporates from time to time the changes that have occurred in the net equity of investments in Group companies and the subsidiary SSIS Spa in addition to revaluations on capital properties made pursuant to specific regulatory provisions.

Table 19.7: breakdown of item 150 "Retained earnings (losses)" Data not present.

Table 19.8: breakdown of item 160 "Net income (loss) for the period"

DESCRIPTION	31/12/2023	31/12/2022	CHANGE		
			Amount	%	
Profit (loss) for the year	5.609.496	1.051.178	4.558.317	433,64%	
Total	5.609.496	1.051.178	4.558.317	433,64%	
	31/12/2023	31/12/2022			
Profit (loss) for the year / Total Assets ratio	0,60%	0,11%			

With reference to the proposed allocation of the profit for the year, please refer to the relevant section of the Board of Directors' Report on Operations.

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

DESCRIPTION	Sibscribed 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 31/12/2020	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
Balance as of 31/12/2023	20.880.080	-	-	46.936.389	981.932	5.609.495	-	1.423.222	18.184.128	94.015.246

Table 19.10: breakdown of public savings collection by business sector

DESCRIPTION	31/12/2023	31/12/2022 proforma	CHANGE		
			Amount	%	
A) Public administrations	114.602.102	135.589.719	-20.987.617	-15,48%	
B) Financial companies other than credit institutions	28.272.556	33.299.640	-5.027.084	-15,10%	
- Monetary financial institutions (excluding credit institutions)	-	-	-	-	
- Investment funds other than money market funds	5.249.412	4.109.340	1.140.072	27,74%	
- Other financial institutions	6.484.078	9.052.930	-2.568.852	-28,38%	
- Insurance companies	16.539.066	20.137.370	-3.598.304	-17,87%	
- Pension funds	-	-	-	-	
C) Non-financial companies	167.437.141	162.919.690	4.517.451	2,77%	
of which Subjects deleted from the register of authorized subjects	229.055	838.565	-609.510	-72,68%	
- Industry	88.927.428	80.808.858	8.118.570	10,05%	
- Construction	3.270.407	2.631.973	638.434	24,26%	
- Services	74.527.586	77.797.108	-3.269.522	-4,20%	
- Other non-financial companies	711.720	1.681.751	-970.031	-57,68%	
D) Families and non-profit institutions serving families	434.771.517	467.192.084	-32.420.567	-6,94%	
- Consumer and producer families	429.016.806	457.978.605	-28.961.799	-6,32%	
- Non-profit institutions serving families	5.754.711	9.213.479	-3.458.768	-37,54%	
E) Others	3.369.011	2.617.891	751.120	28,69%	
Total	748.452.327	801.619.024	-53.166.697	-6,63%	

As can be seen from reading the above table, the concentration of deposits is mainly in the Household segment.

Information on the Statement of Assets and Liabilities - Guarantees and Commitments

20. Guarantees and commitments

Table 20.1: breakdown of "Guarantees given"

DESCRIPTION	31/12/2023	31/12/2022	CHANGE	
			Amount	%
A) Unsecured loans of a commercial nature	8.531.076	9.049.843	-518.767	-5,73%
B) Unsecured loans of a financial nature	686.099	693.300	-7.201	-1,04%
C) Assets pledged as collateral	7.840.811	8.134.773	-293.962	-3,61%
- of third party bonds	1.251.663	-	1.251.663	100,00%
- of own bonds	6.589.148	8.134.773	-1.545.625	-19,00%
Total	17.057.986	17.877.916	-819.930	-4,59%

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 pledged as collateral for third-party obligations: these include since 2023 the escrow account set up with the Central Bank to guarantee both the timely payment of Senior ABS and the payment of management costs incurred by Veicolo di Sistema in the Securitization Transaction;
- assets (such as securities or cash) pledged as collateral for own obligations.
 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	31/12/2023	31/12/2022	CHANGE		
			Amount	%	
A) Unsecured loans of a commercial nature	8.531.076	9.049.843	-518.767	-5,73%	
A1. Acceptances	-	-	-	-	
A2. Guarantees and endorsements	8.531.076	9.049.843	-518.767	-5,73%	
A3. Strong patronage	-	-	-	-	
A4. Others	-	-	-	-	
B) Unsecured loans of a financial nature	686.099	693.300	-7.201	-1,04%	
B1. Acceptances	-	-	-	-	
B2. Guarantees and endorsements	686.099	693.300	-7.201	-1,04%	
B3. Strong patronage	-	-	-	-	
B4. Other	-	-	-	-	
Total	9.217.175	9.743.143	-525.968	-5,40%	

Table 20.3: situation of unsecured loans to credit institutions Data not present.

Table 20.4: situation of unsecured loans to customers

CATEGORIE / VALORI	31/12/2023			31/12/2022			
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure	
A) Doubtful loans	500	-	500	113.800	-	113.800	
of which Non-performing loans	-	-	-	-	-	-	
of which Substandard loans	500	-	500	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	9.216.675	-	9.216.675	9.629.343	-	9.629.343	
Total	9.217.175	-	9.217.175	9.743.143	-	9.743.143	

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	31/12/2023	31/12/2022	CHAI	NGE
			Amount	%
A) Commitments to disburse funds for certain use	-	-	-	-
of which Financing commitments to be disbursed	-	-	-	-
B) Commitments to exchange financial instruments for certain use	-	-	-	-
C) Commitments to disburse funds for uncertain use	3.178.555	7.151.029	-3.972.474	-55,55%
of which Passive margins usable on credit lines	3.178.555	7.151.029	-3.972.474	-55,55%
of which Put options issued	-	-	-	-
D) Commitments to exchange financial instruments of uncertain use	-	-	-	-
E) Other commitments	406.158	212.623	193.535	91,02%
Total	3.584.713	7.363.652	-3.778.939	-51,32%

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: E) "Other commitments" represents the commitment for contribution to the Depositors' Guarantee Fund accruing 2022/2023 in the amount of €406,158.

Table 20.8: term commitments

CATEGORY OF TRANSACTIONS	Hedging	Trading	Other transactions
1) Trading	3.806.575	-	1.029.740
1.1. Financial instruments	-	-	1.029.740
- Purchases	-	-	1.029.740
- Sales	-	-	
1.2. Foreign currencies	3.806.575	-	
- Foreign currencies against foreign currencies	-	-	
- Purchases against euro	3.806.575	-	
- Sales against euro	· •·····	-	••••
2) Deposits and financing	-	-	
- To be paid	-	-	
- To be received	-	-	• • • • • • • • • • • • • • • • • • • •
3) Derivative contracts	-	-	
3.1. With exchange of capital	-	-	
a) Securities		-	
- Purchases	-	-	
- Sales			
b) Foreign currencies			
- Foreign currencies against foreign currencies	-	-	
- Purchases against euro		-	
- Sales against euro			
c) other values	. .		•••••
- Purchases			
- Sales	_		
3.2. Without capital exchange			• • • • • • • • • • • • • • • • • • • •
	-		
a) Foreign currencies	<u>-</u>	-	•
- Foreign currencies against foreign currencies	-	-	
- Purchases against euro	-	-	
- Sales against euro	-	-	<u></u>
b) Other values	-	-	
- Purchases	-	-	
- 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.

Interest Rate Derivative Contracts are conventionally classified as buying or selling depending on whether they involve the bank buying or selling the fixed rate.

It should be noted that in 2023 the two IRS transactions present in 2022 expired. Item 1.1 "Financial instruments – purchases" shows, among others, the subscription commitment of the last tranches of the Green Arrow Private Debt Fund for €512,240, to be repaid as of 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

Data not present.

Table 20.10: derivative contracts on loans Data not present.

Information on the Statement of Assets and Liabilities - Memorandum Accounts

Table 21.1: memorandum accounts

ITEMS	31/12/2023	31/12/2022
1) Asset management	3.590.835	6.792.876
a) Customer asset management	3.590.835	6.792.876
of which Liquidity	276.317	3.567.527
of which Liquidity deposited with the reporting institution	276.317	3.567.527
of which Debt securities	276.145	-
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	3.038.373	3.225.349
of which Equity securities issued by the reporting entity	-	-
b) Own portfolios managed by third parties	-	-
2) Custody and administration of financial instruments	813.612.431	753.353.814
a) Third party financial instruments on deposit	584.167.817	528.775.603
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	79.770.226	79.897.210
of which Securities third-party financial instruments deposited with third parties	402.589.978	353.411.386
b) Proprietary financial instruments deposited with third parties	229.444.614	224.578.211
Financial instruments, liquidity and other values related to the activity of depository bank	109.374.923	112.014.219
a) Liquidity	5.249.412	4.109.340
of which Liquidity deposited with the reporting institution	5.249.412	4.109.340
b) Debt securities	12.477.781	-
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	91.647.730	100.027.170
of which Equity securities issued by the reporting entity	-	-

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 recalled that the Subsidiary BAC Investments SG Spa proceeds with the distribution and sale of Funds of its own issue through the commercial network of the Parent Company BAC, which also acts as its custodian, for €109,374,923, as evidenced in the section "Financial instruments, liquidity and other assets related to custodian bank activities." It should also be noted that the figures shown in the above section, represent an "of which", included in the aggregate Custody and Securities Administration.

Table 21.2: intermediation for outsourcers: execution of memorandums

ITEMS	31/12/2023	31/12/2022
Purchases	225.409.889	268.253.497
of which Purchases not settled as of the reporting date	-	-
Sales	178.261.475	245.166.714

Table 21.3: breakdown of indirect deposits by business sector

DESCRIPTION	31/12/2023	31/12/2022	CHANGE	
			Amount	%
A) Public administrations	17.790.794	9.633.860	8.156.934	84,67%
B) Financial companies	333.413.243	327.026.670	6.386.573	1,95%
- Monetary financial institutions	-	-	-	-
- Investment funds other than money market funds	104.125.511	107.904.879	-3.779.368	-3,50%
- Other financial institutions	26.195.147	27.440.636	-1.245.489	-4,54%
- Insurance companies	203.092.585	191.681.155	11.411.430	5,95%
- Pension funds	-	-	-	-
C) Non-financial companies	83.319.075	81.078.009	2.241.066	2,76%
of which Subjects deleted from the register of authorized subjects	-	-	-	-
- Industry	5.760.840	5.202.867	557.973	10,72%
- Construction	2.053.785	1.883.211	170.574	9,06%
- Services	19.252.709	18.446.228	806.481	4,37%
Other non-financial companies	56.251.741	55.545.703	706.038	1,27%
D) Families and non-profit institutions serving families	254.520.409	219.535.992	34.984.417	15,94%
- Consumer and manufacturer families	247.793.435	214.864.292	32.929.143	15,33%
- Non-profit institutions serving families	6.726.974	4.671.700	2.055.274	43,99%
E) Others	169.325	236.300	-66.975	-28,34%
Total	689.212.846	637.510.831	51.702.015	8,11%

Table 21.4: trust activity

DESCRIPTION	31/12/2023	31/12/2022
1. Movable assets	16.693.960	14.506.048
1.1. Financial instruments	13.725.883	11.073.708
1.2. Cash	2.968.077	3.432.340
2. Shareholdings	9.413.676	9.178.290
2.1. Units or shares in joint-stock companies	7.935.756	7.817.474
2.2. Shareholder financing	1.381.223	1.309.88
2.3. Cash	96.697	50.93
3. Financing to third parties	2.478.707	2.478.70
3.1. Financing	2.478.707	2.478.70
3.2. Cash	-	
4. Other movable or intangible assets	-	
4.1. Movable or intangible assets	-	
4.2. Cash	-	
5. Total fiduciary assets	28.586.343	26.163.05
5.1. Of which total cash	3.064.774	3.483.27

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.

Table 21.5: assets held in the exercise of trustee function Data not present.

PART C – Information on the Profit and Loss Account

22. Interests (profit and loss account item 10 - 20)

Table 22.1: breakdown of item 10 "Interest income and similar revenues"

DESCRIPTION	31/12/2023	31/12/2022	CHAN	IGE
			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	3.392.128	253.468	3.138.660	1238,299
B1. Active current accounts	2.794.667	162.473	2.632.194	1620,089
B2. Deposits	597.461	90.995	506.466	556,599
B3. Other financing	-	-	-	
of which On leasing transactions	-	-	-	
C) Loans to customers	15.401.196	10.099.198	5.301.998	52,509
C1. Active current accounts	3.032.125	2.158.581	873.544	40,479
C2. Deposits	-	-	-	
C3. Other financing	12.369.071	7.940.617	4.428.454	55,779
of which On leasing transactions	2.727.288	2.112.674	614.614	29,099
D) On debt securities issued by credit institutions	770.298	740.205	30.093	4,079
D1. Certificates of deposit	-	-	-	
D2. Bonds	770.298	740.205	30.093	4,079
D3. Other financial instruments	-	-	-	
E) On debt securities from customers (issued by other issuers)	4.899.905	3.315.247	1.584.658	47,80
E1. Bonds	4.608.264	2.927.042	1.681.222	57,449
E2. Other financial instruments	291.641	388.205	-96.564	-24,87
Total	24.463.527	14.408.118	10.055.409	69,799

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 a leap in interest income of 69.79%, attributable to the expansion and recomposition of investments in financial instruments in the proprietary securities portfolio, as well as an increase in yields on the interbank due to the upward dynamics of interest rates that have already occurred in the last months of the year 2022 and in 2023. The increase in reference rates also benefited

loans to customers characterized by indexed rates, with important recoveries in profitability.

Table 22.2: breakdown of item 20 "Interest expense and similar charges"

DESCRIPTION	31/12/2023	31/12/2022	CHAI	NGE
			Amount	%
A) On amounts due to credit institutions	2.517	10.441	-7.924	-75,89%
A1. Passive current accounts	2.517	10.441	-7.924	-75,89%
A2. Deposits	-	-	-	-
A3. Other debts	-	-	-	-
B) On amounts due to customers	4.001.244	710.606	3.290.638	463,07%
B1. Passive current accounts	592.402	402.817	189.585	47,06%
B2. Deposits	1.359.049	98.092	1.260.957	1285,48%
B3. Other debts	2.049.793	209.697	1.840.096	877,50%
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	3.743.284	1.635.643	2.107.641	128,86%
of which On certificates of deposit	3.743.284	1.635.643	2.107.641	128,86%
E) On subordinated liabilities	71.784	71.850	-66	-0,09%
of which On hybrid instruments of capitalization	-	- '	-	-
Total	7.818.829	2.428.540	5.390.289	221,96%

The increase in interest income is paralleled by an increase in interest expense, which is directly related to the rate dynamics that have occurred in the money market.

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

Table 23.1: breakdown of item 40 "Dividends and other revenues"

DESCRIPTION	31/12/2023	31/12/2022	CHANGE	
			Amount	%
A) On shares, stocks and other capital instruments	123.873	601.274	-477.401	-79,40%
B) On shareholdings	-	-	-	-
C) On shareholdings in group companies	683.902	927.284	-243.382	-26,25%
Total	807.775	1.528.558	-720.783	-47,15%

Item 30 of the profit and loss account includes dividends received in cash, consistent with international and Italian accounting standards (OIC 21). Therefore, in 2023, under item A) we find the income credited on listed equity securities purchased in the dealing portfolio, while under item C) we find the 2022 dividends recognized by subsidiaries: from BAC Life Spa, amounting to €428,225; from BAC Trustee Spa, amounting to €141,173; and from BAC Investments SG Spa, amounting to €114,504.

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

Table 24.1: breakdown of item 40 "Commission income"

DESCRIPTION	31/12/2023	31/12/2022	CHANGE	
			Amount	%
A) Guarantees given	115.598	99.462	16.136	16,22%
B) Credit derivatives	-	-	-	-
C) Investment services	577.797	748.530	-170.733	-22,81%
C1. Reception and transmission of orders (letter D1 Annex 1 LISF)	571.784	741.193	-169.409	-22,86%
C2. Execution of orders (letter D2 Annex 1 LISF)	-	-	-	-
C3. Portfolio management of financial instruments (letter D4 Annex 1 LISF)	6.013	7.337	-1.324	-18,05%
C4. Placement of financial instruments (letters D5 and D6 Annex 1 LISF)	-	-	-	-
D) Financial instruments consulting activities	-	-	-	-
E) Distribution of services and products of third parties other than the placement	1.207.716	1.281.347	-73.631	-5,75%
E1. Asset management	-	-	-	-
E2. Insurance products	480.357	417.628	62.729	15,02%
E3. Other services and products	727.359	863.719	-136.360	-15,79%
Collection and payment services	780.767	692.570	88.197	12,73%
G) Depositary bank services	216.161	239.072	-22.911	-9,58%
Custody and administration of financial instruments	307.705	327.654	-19.949	-6,09%
) Trust services	120.913	132.118	-11.205	-8,48%
Exercise of tax collectors and receivers	-	-	-	-
M) Currency trading	257.632	202.545	55.087	27,20%
N) Commissions for collective management services (letter E and F Annex 1 LISF)	-	-	-	
D) E-money	-	-	-	
P) Issue / management of credit cards / debit cards	1.708.645	1.533.229	175.416	11,44%
Q) Other services:	2.017.351	1.779.949	237.402	13,34%
Fotal	7.310.285	7.036.476	273.809	3,89%

Commission income as a whole shows a decent increase over last year (+3.89%), confirming customers' appreciation of the services offered by the bank; the best performing segments are: currency trading commissions (+27.20%)

commissions for guarantees issued (16.22%) and commissions for distribution on insurance products (+15.02%).

Table 24.2: breakdown of item 50 "Commission expense"

DESCRIPTION	31/12/2023	31/12/2022	CHANGE	
			Amount	%
A) Guarantees given	-	150	-150	-100,00%
B) Credit derivatives	-	-	-	-
C) Investment services	551.417	489.333	62.084	12,69%
C1. Reception and transmission of orders (letter D1 Annex 1 LISF)	434.369	307.195	127.174	41,40%
C2. Execution of orders (letter D2)	81.912	133.799	-51.887	-38,78%
C3. Portfolio management of financial instruments (letter D4 Annex 1 LISF)	-	-	-	-
- Own portfolio	-	-	-	-
- Third party portfolio	-	-	-	-
C4. Placement of financial instruments (letters D5 and D6 Annex 1 LISF)	35.136	48.339	-13.203	-27,31%
D) Off-site offer of financial instruments, products and services	-	-	-	-
E) Collection and payment services	171.917	125.142	46.775	37,38%
F) Commissions to distributors	-	-	-	-
G) E-money	-	-	-	-
H) Issue / management of credit cards / debit cards	1.324.619	1.174.019	150.600	12,83%
I) Other services:	49.776	60.544	-10.768	-17,79%
Total	2.097.729	1.849.188	248.541	13,44%

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 (+12.83%), fees from collection and payment services (+37.38%) and order receipt and transmission (+41.40%).

Table 24.3: general expenses: information on commission income and expensesData 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	/2023	
	Transactions on financial instruments	Transactions on currencies	Transactions on metals and precious metals	Other transactions
A1. Revaluations	2.832.847	-	-	
A2. Write-downs	2.436.728	-	-	
B. Other Profits / Losses	572.120	320.000		
Total	968.239	320.000		
General total				1.288.239
1. Government bonds	356.880			
2. Other financial debt instruments	-1.281.626			
3. Equity financial instruments	1.892.985			
4. Derivative contracts on financial instruments	-			
Total	968.239			

Item 60 includes the net result of trading in financial assets and currencies on behalf of customers, as well as the management of the Bank's proprietary noncaptive financial portfolio. The result of financial operations shows a positive contribution and a clear recovery compared to the previous year, thanks to the recovery of market prices, the 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 continuation of the Russian-Ukrainian war and the new Israeli-Palestinian conflict. The algebraic balance of profits and losses from financial transactions marks a positive value, a significant increase compared to 31/12/2022, which recorded a balance of €108,097, thanks in part to the contribution of currency trading and from the revaluation of funds under San Marino law present in the trading portfolio.

As referred to in paragraph 5, "Bonds and other debt financial instruments and Shares, units, and other capital financial instruments (items: 50-60 of the assets)," detailed information has been provided on the prospective and retrospective effects of the change in the valuation criterion for non-fixed assets securities, modified in accordance with the regulations introduced by CBSM Regulation Miscellanea 2023/01.

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	31/12/2023	31/12/2022	CHANGE	
			Amount	%
Other operating income	-	-	-	-
- Rental income on real estate	1.653.531	1.399.476	254.055	18,15%
- Recovery of insurance expenses	17.454	20.619	-3.165	-15,35%
- Commissions income on reports	170.062	169.735	327	0,19%
- Miscellaneous expense recoveries	268.322	51.291	217.031	423,14%
- Share capital leasing fees	9.923.627	10.587.833	-664.206	-6,27%
Total	12.032.996	12.228.954	-195.958	-1,60%
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.

Noteworthy on other operating income is the increase in the item rental income, due to the bringing to income of non-instrumental property owned derived from recoveries on credit positions.

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

Table 27.1: number of employees by category and personnel cost

DESCRIPTION	31/12/2023			31/12/2022			
	Average	Personnel expenses	Number	Average	Personnel expenses	Number	
A) Managers	22,33	2.082.261	22	23,00	2.117.279	23	
B) Administrative staff	12,67	1.015.957	13	13,58	1.105.316	13	
C) Remaining personnel	72,50	4.438.437	72	75,58	4.778.678	75	
C1. Employees	72,50	4.438.437	72	75,58	4.778.678	75	
C2. Other personnel	-	-	-	-	-	-	
Total	107,50	7.536.655	107	112,17	8.001.273	111	

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 and number of personnel marks an important decrease from the previous year, a sign of the continued attention to cost containment.

Table 27.2: breakdown of sub-item b) "Other administrative expenses"

DESCRIPTION	31/12/2023	31/12/2022	CHANGE	
			Amount	%
ther administrative expenses:	5.126.789	4.412.966	713.823	16,18%
of which Fees to independent auditors	58.270	58.270	-	-
of which Fees for services other than auditing the financial statements	-	-	-	-
of which Other	5.068.519	4.354.696	713.823	16,39%
- Expenses for professional services	661.648	554.762	106.886	19,27%
- Expenses for the purchase of non-professional goods and services	1.776.819	1.238.355	538.464	43,48%
- Rents and fees	1.611.690	1.574.430	37.260	2,37%
- Insurance premiums	183.570	167.900	15.670	9,33%
- Supervisory charges	644.400	661.580	-17.180	-2,60%
- Charity and sponsorship expenses	22.600	8.850	13.750	155,37%
- Indirect taxes and duties	167.792	148.819	18.973	12,75%

After several years of contraction, there is an increase in administrative expenses in 2023, reflecting inflationary pressures that have occurred on supplies, combined with a general increase in spending on new projects.

Table 27.3: remuneration

	DESCRIPTION	31/12/2023	31/12/2022	CHANGE	
				Amount	%
A) Directors		168.125	158.591	9.534	6,01%
B) Auditors		74.878	74.670	208	0,28%
C) Management		338.333	338.333	-	-
Total		581.336	571.594	9.742	1,70%

This table details the remuneration paid to Directors and Statutory Auditors for their positions in the Bank, including attendance fees, net of travel expenses (explained in the table below), as well as the remuneration paid to Management, i.e. the General Manager and Deputy General Manager.

Breakdown of sub-item "Other personnel expenses"

DESCRIPTION	31/12/2023	31/12/2022	CHANGE	
			Importo	%
Other personnel expenses:	69.997	42.559	27.438	64,47%
of which Training costs	28.665	-	28.665	100,00%
of which Other	41.332	42.559	-1.227	-2,88%
- Reimbursement of expenses and travel	9.872	11.940	-2.068	-17,32%
- Miscellaneous expenses	12.184	13.095	-911	-6,96%
- Reimbursement of directors' and auditors' expenses and travel	19.276	17.524	1.752	10,00%

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."

Table 28.1: breakdown of items 100 - 110 "Value adjustments on intangible and tangible assets"

DESCRIPTION	31/12/2023	31/12/2022	CHANGE	
			Amount	%
A) Intangible fixed assets	321.104	240.157	80.947	33,71%
of which - On leased assets	50.696	50.761	-65	-
of which - On other intangible fixed assets	270.408	189.396	81.012	42,77%
- Software	161.403	71.457	89.946	125,87%
- Studies, research and training	27.773	31.513	-3.740	-11,87%
- Various multi-year costs	35.150	40.344	-5.194	-12,87%
- Accommodation expenses for rent	4.269	4.269	-	-
- Concession rights and works of the underpass	41.813	41.813	-	-
Total	321.104	240.157	80.947	33,71%
B) Tangible fixed assets	10.965.081	11.633.588	-668.507	-5,75%
of which - On leased assets	9.865.531	10.518.767	-653.236	-6,21%
of which - On other tangible fixed assets	1.099.550	1.114.821	-15.271	-1,37%
- Mobile safes and systems	39.453	42.831	-3.378	-7,89%
- Electronic machines	96.529	102.755	-6.226	-6,06%
- Motor vehicles	10.700	10.700	-	-
- Real estate and land	944.431	944.344	87	0,01%
- Equipment and machinery	8.437	8.235	202	2,45%
- Other activities	-	5.956	-5.956	-100,00%
Assets available from debt collection	10.965.081	11.633.588	-668.507	-5,75%

Contributions to the depreciation funds of business functional assets represent the sum of the accruals for the year 2023, calculated in relation to their residual 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:

Properties	3%
Furniture, safes and installations	15%
Electronic machines	20%
Vehicles	20%
Software	20%
Rental accommodation expenses	20%
Studies, research, training and miscellaneous	20%
Concessionary rights and subway 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	31/12/2023	31/12/2022	CHANGE	
			Amount	%
Provisions (relating to the sub-item "Other provisions" of Liabilities)	-	-	-	-
Provisions for charges, disputes and litigation	262.889	90.000	172.889	192,10%
Provisions for liabilities to be settled	331.702	-	331.702	-
Total	594.591	90.000	504.591	560,66%

Provisions for contingent liabilities recorded during the year were made to guard against probable future contractual obligations.

Table 28.3: item 130 "Provisions for credit risks"

DESCRIPTION	31/12/2023	31/12/2022	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%

Table 28.4: breakdown of item 140 "Value adjustments on loans and provisions for guarantees and commitments"

DESCRIPTION	31/12/2023	31/12/2022	CHA	CHANGE	
			Amount	%	
A) Value adjustments on loans	6.825.030	10.105.471	-3.280.441	-32,46%	
of which - Lump-sum adjustments for country risk	-	-	-	-	
- Other lump sum adjustments	436.552	1.160.690	-724.138	-62,39%	
B) Accantonamenti per garanzie ed impegni					
of which - Lump-sum provisions for country risk	-	-	-	-	
- Other lump-sum provisions	-	-	-	-	
Total	6.825.030	10.105.471	-3.280.441	-32,46%	

According to the dictates of 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 lump-sum write-downs in relation to the performance of the relevant economic sector and country. The value adjustments made in 2023 bring the allowance for loan losses to a countervalue considered congruous with the analytical write-downs related to the loss forecasts of individual debtors and lump-sum write-downs established, as mentioned above, on the basis of the sector of economic activity and country risk; these adjustments generate a coverage of cash loans of 4.66%, compared with 16.61% in 2022, down due to the already extensively described system securitization transaction in the previous section 4. Loans to customers (asset item 40).

Net adjustments to loans and provisions for guarantees and commitments amounted to €4,806,317, composed as follows: €6,825,030 for provisions and adjustments to loans (Table 28.4) and €2,018,713 for write-backs from collections and valuations with a positive sign (Table 28.6). It should be noted that in 2023 the accrual to the Profit and Loss Account of the adjustments resulting from the Asset Quality Review (AQR) exercise, concluded in 2019, continued in 2023, as provided for by Law No. 173 of 24 December 2018 article 40, paragraph 2, and upon instance authorized by CBSM, for €4,581,762.

Table 28.5: various types of movements in item 140 "Value adjustments to receivables and provisions for guarantees and commitments"

DESCRIPTION	31/12/2	023	31/12/2	2022	CHANG	Ε
	Analytics	Flat-rate	Analytics	Flat-rate	Amount	%
A) Total write-downs of cash loans	6.388.478	436.552	8.944.781	1.160.690	-3.280.441	-32,46%
A1. Write-down of loans - non-performing loans	4.804.185	-	6.524.121	-	-1.719.936	-26,36%
A2. Write-down of loans - substandard loans	906.214	-	539.338	-	366.876	68,02%
A3. Write-down of loans - other loans	678.079	436.552	1.881.322	1.160.690	-1.927.381	-63,36%
B) Total cash loan losses	-	-	-	-	-	
B1. Non-performing loans	-	-	-	-	-	-
B2. Substandard loans	-	-	-	-	-	
B3. Other loans	-	-	-	-	-	
Total value adjustments on cash loans (A + B)	6.388.478	436.552	8.944.781	1.160.690	-3.280.441	-32,46%
C) Total provisions for guarantees and commitments	-	-	-	-	-	
C1. Guarantees	-	-	-	-	-	-
C2. Commitments	-	- -	-	-	-	
Grand total (A+B) + C	6.388.478	436.552	8.944.781	1.160.690	-3.280.441	-32,46%
Total		6.825.030		10.105.471		

Table 28.6: breakdown of item 150 "Writebacks on loans and on provi-sions for guarantees and commitments"

DESCRIPTION	31/12/2023	31/12/2022	CHANGE	
			Amount %	
Value recovery	2.018.713	5.688.393	-3.669.680	-64,51%
of which On non-performing loans	1.475.157	3.616.437	-2.141.280	-59,21%
of which On substandard loans	124.890	243.537	-118.647	-48,72%
of which On other loans	418.666	1.828.419	-1.409.753	-77,10%

Table 28.7: breakdown of item 160 "Financial fixed asset adjustments"

DESCRIPTION	31/12/2023	31/12/2022	CHANGE		
			Amount	%	
Value adjustments	17.947	386.310	-368.363	-95,35%	
of which On equity investments	17.947	309.523	-291.576	-94,20%	
of which On equity investments in subsidiaries	17.947	309.523	-291.576	-94,20%	
of which On equity investments in associated companies	-	-	-	-	
of which On equity investments valued at net equity	17.947	309.523	-291.576	-94,20%	
of which On other capital financial instruments	-	76.787	-76.787	-100,00%	
of which On other debt financial instruments	-	-	-	-	
of which On other derivative financial instruments	-	-	-	-	

Value adjustments on capital investments pertain to the valuation at NAV as of 31/12/2023 of the subsidiary BAC Real Estate, based on the financial statements approved by the Administrative Body, for the loss for the year recorded.

DESCRIPTION	31/12/2023	31/12/2022	CHANGE		
			Amount	%	
Vrite-backs	157.684	-	157.684	100,00%	
of which On equity investments	-	-	-	-	
of which On equity investments in subsidiaries	-	-	-	-	
of which On equity investments in associated companies		-			
of which On equity investments valued at net equity	-	-	-	-	
of which On other capital financial instruments	157.684	-	157.684	100,00%	
of which On other debt financial instruments	-	-	-	-	
of which On other derivative financial instruments	-	-	-	-	

Writebacks on capital financial instruments are attributable to the valuation at NAV reported as of 31/12/2023 of the Green Arrow Private Debt Fund, included in the investment securities portfolio.

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	31/12/2023	31/12/2022	CHANGE		
			Amount	%	
Extraordinary income					
- Contingent assets	40.822	156.925	-116.103	-73,99%	
- Receipts on positions passed to losses	-	-	-	0,00%	
- Termination of customer relations	14	130	-116	-89,23%	
- Release of the complaints and revocatory fund	-	25.835	-25.835	-100,00%	
- Other extraordinary income	21.788	138.991	-117.203	-84,32%	
- Capital gain from transfer of securities from investment portfolio to free prot. 20/13417	576.000	-	576.000	100,00%	
- Capital gains from sale of real estate	-	122.827	-122.827	-100,00%	
- Capital gains on investment securities	24.177	42.709	-18.532	-43,39%	
Total	662.801	487.417	175.384	35,98%	
Extraordinary charges					
Discounting of fixed assets from transferred securities	750	14.016	-13.266	-94,65%	
- Transaction claims	-	-	-	-	
- Repayment of interest income, commissions	-	330	-330	-100,00%	
- Termination of customer relations	15.988	7.998	7.990	99,90%	
- Other extraordinary charges	75.810	389.178	-313.368	-80,52%	
Total	92.548	411.522	-318.974	-77,51%	

It should be noted that among "extraordinary income," the main item is traced back to the recording of taxes for tax assets related to the tax credit on financial sector losses under Article 11 Law 154/2019.

Details of the item "Income tax for the year"

DESCRIPTION	31/12/2023	31/12/2022	CHA	NGE
			Amount	%
Income taxes for the year	-	-	-	-
Total	-	-	-	-

surpluses on the provision for loan losses, pursuant to Article 11 Law No. 154 of 3 October 2019, which result in zero income taxes.

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"

DESCRIPTION	31/12/2023	31/12/2022	CHAI	NGE
			Amount	%
Change in the general financial risk reserve	-1.423.222	-	-1.423.222	100,00%
Total	-1.423.222	-	-1.423.222	100,00%

The purpose of the General Financial Risk Fund is to cover general business risks and is a positive component of core regulatory capital (see Article VII.II.2 of CBSM Regulation 2007-07).

PART D - Other information tables

31. Prudential aggregates

Table 31.1: prudential aggregates

DESCRIPTION	31/12/2023
	Amount
A) Regulatory capital	64.621.056
A1. Core capital	51.856.193
A2. Supplementary capital	16.850.134
A3. Elements to be deducted	4.085.271
A4. Regulatory capital	64.621.056
Risk assets and regulatory capital ratios	-
B1. Risk-weighted assets	364.848.408
C2. Regulatory capital/risk-weighted assets	17,71%

In drafting the prudential aggregates, the indications contained in CBSM Regulation 2007-07 and the specific missives of the Supervisory Authority referring to the Asset Quality Review (AQR) exercise were implemented; therefore, the AQR adjustments were fully deducted from the Regulatory Capital as of the 2019 financial year, while, for the purposes of the statutory financial statements, they are still 5/10 suspended and included in the balance sheet asset item "Other Assets" in the amount of 22,908,809 euros. Despite the significant deduction, the solvency ratio stands at 17.71%, above the required regulatory minimum of 11%, and up 3.52 percentage points from 31/12/2022, where it stood at 14.19%. Lastly, it should be noted that the properties subject to secondary leasing transactions, which have been fully disclosed in Tables 4.3 - Situation of Cash Loans from Customers and 8.2 - Details of Item 100 "Tangible Fixed Assets," 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 (TS)," valuing the said properties at their book value as of the reference date.

It should be noted that pursuant to Article 15, paragraph 5 of CBSM Miscellaneous Regulation 2024/01, the Supervisory Authority has allowed, on an exceptional and temporary basis on 31/12/2023 and until 31/12/2024, a partial derogation with regard to deductions from supplementary capital of net capital losses

on the fixed asset portfolio referred to in Article VII.II.3, paragraph 3 of CBSM Regulation 2007-07, resulting in their computation to the extent of 25% instead of the ordinary rate of 50%.

Finally, following the communication of the Supervisory Authority (Prot.24/3881 of 12/04/2024), regarding the Loan Management Fund and Fondo Odisseo, whose assets were contributed as part of the system securitization transaction, regulated by Law No. (pursuant to 157/2021), the look through method was applied in accordance with the regulations issued (CBSM Circular 2022-01), so the weighting for only securitized assets held indirectly through the Funds recalled was calculated by applying respectively: 405% for junior securities, 135% for mezzanine securities and 75% for escrow account. The recalculated average weighting factor stood at 223.63%, applied on a balance sheet value of €3,246,029, while for the remainder the weighting was continued at 0% on a balance sheet value of €12,021,437.

32. Major risks and related parties

Table 32.1: major risks

	DESCRIPTION	31/12/2023	31/12/2022	CHAI	NGE
				Absolute	%
Amount		30.179.570	46.889.691	-16.710.121	-35,64%
Number		3	5	-2	-40,00%

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, derived from the prudential supervisory reporting as of reference date 12/31/2023.

Table 32.2: risks to related parties

	DESCRIPTION	31/12/2023	31/12/2022	СНА	NGE
				Absolute	%
Amount		18.393.364	19.530.780	-1.137.416	-5,82%
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 total amount constitutes the sum of individual risk positions, direct and indirect, cash and signature, gross of any

33. Time distribution of assets and liabilities

Table 33.1: time distribution of assets and liabilities

ITEMS / REMAINING DURATIONS 31/12/2023	Total	At sight	Up to 3 months	From over 3 months to 6 months	From over 6 months to 1 year	From ove to 18 n		From over to 2 y		From over 2	to 5 years	Over 5	5 years	Maturity not attributed
						F	Т	F	т	F	Т	F	т	
1) Assets	677.584.841	198.739.722	25.620.060	21.855.277	18.190.257	6.375.499	14.720.076	4.605.170	13.667.761	22.091.415	89.706.230	24.186.195	194.697.804	43.129.375
1.1 Treasury securities and other financial instruments eligible for refinancing with Central Banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Loans to credit institutions	163.571.696	138.812.738	-	-	-	-	-	-	-	-	-	-	1.251.663	23.507.295
1.3 Loans to customers	277.856.002	48.419.880	23.366.572	8.880.195	12.346.999	914.721	13.254.825	892.020	9.411.735	3.748.623	46.064.185	5.137.475	92.705.344	12.713.428
1.4 Bonds and other debt financial instruments	210.678.129	-	1.444.443	10.444.561	3.230.074	5.037.318	1.465.251	3.002.822	4.256.026	15.536.665	43.642.045	16.221.138	99.489.134	6.908.652
1.5 Off-balance sheet transactions	25.479.014	11.507.104	809.045	2.530.521	2.613.184	423.460	-	710.328	-	2.806.127	-	2.827.582	1.251.663	-
2) Liabilities	775.863.353	439.712.137	78.632.208	90.697.561	121.465.564	51.289.654	278.653	5.753.260	1.061.992	5.209.629	2.714.278	2.827.582	-	-
2.1 Due to credit institutions	1.932.012	1.252.864	-	-	-	679.148	-	-	-	-	-	-	-	-
2.2 Due to customers	534.578.367	424.526.614	8.522.718	58.388.207	43.140.828	-	-	-	-	-	-	-	-	-
2.3 Payables represented by financial instruments	210.166.827	319.037	69.300.445	29.778.833	74.911.245	13.687.136	11.747.735	4.242.624	1.061.992	2.403.502	2.714.278	-	-	-
- Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Certificates of deposit	210.166.827	319.037	69.300.445	29.778.833	74.911.245	13.687.136	11.747.735	4.242.624	1.061.992	2.403.502	2.714.278	-	-	-
- Other financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.4 Other liabilities: cheques in circulation	1.306.211	1.306.211	-	-	-	-	-	-	-	-	-	-	-	-
2.5 Subordinated liabilities	2.400.922	800.307	-	-	800.307	-	-	800.308	-	-	-	-	-	-
2.6 Off-balance sheet transactions	25.479.014	11.507.104	809.045	2.530.521	2.613.184	423.460	-	710.328	-	2.806.127	-	2.827.582	1.251.663	-

Corporate position

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

Table 36.1: amounts of money transfers

TYPE OF TRANSACTION		31/12	2/2023		31/12/2022			
	Transaction amount	Number of transactions	Charges to the intermediary	Insurance reimbursements	Amount of transactions	Number of transactions	Charges to the intermediary	Insurance reimbursements
Credit cards	-	-	-	-	-	-	-	-
Debit cards	78.046.501	1.133.787	34.180	24.775	72.498.853	996.723	29.520	22.846
E-money	802.354	25.339	3.544	3.052	1.029.238	29.932	773	9.230
Total	78.848.855	1.159.126	37.723	27.827	73.528.091	1.026.655	30.293	32.076

Table 36.2: fraudulent uses

TYPE OF TRANSACTION		31/12	2/2023		31/12/2022			
	Transaction Number of amount transactions		Charges to the intermediary	Insurance reimbursements	Amount of transactions	Number of transactions	Charges to the intermediary	Insurance reimbursements
Credit cards	-	-	-	-	-	-	-	-
Debit cards	7.431	21	-	-	4.257	70	-	-
E-money	1.916	42	-	-	528	2	-	-
Total	9.347	63	-	-	4.785	72	-	-

Table 36.3: credit cards revoked due to default Data not present.

Table 36.4: data on acquiring activity

DESCRIPTION	31/12/2	2023	31/12/2022		
	Number	Amount	Number	Amount	
P.O.S.					
Number of Points of Sale (P.O.S.) affiliated with the reporting entity	511	-	558	-	
Number of merchants contracted with the reporting institution	434	-	427	-	
Payment transactions at merchants affiliated with the reporting institution	617.855	41.691.931	543.346	38.298.574	
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	105.839	22.207.020	104.926	21.839.450	
Transactions at A.T.M. operated by the reporting institution other than withdrawal transactions	1.271	31.760	1.604	40.15	

PART E – Other Information

With reference to Article V.II.8 letter n) of CBSM Regulation 2016/02, we inform you that, by virtue of the joint liability on the part of authorized persons for sanctions imposed on their corporate officers or employees, the bank has settled the debt to Central Bank on behalf of a former executive responsible for violations referring to 2019, with the payment of €21,000 at the end of 2023. The bank has initiated legal actions against the former executive to recover the advanced amounts.

San Marino, 29 april 2024

The General Manager

The Chairman of the Board of Directors

Auditors' report



REPORT OF THE BOARD OF STATUTORY AUDITORS

On Financial statements for the year ended as of 31 December 2023 pursuant to Article 83 of Law No. 47/2006 and subsequent amendments and additions.

Ву

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 2023 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 2023, which were prepared by the Directors and 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 2023 financial year.

22 board meetings were held in 2022.

The Anti-Money Laundering Committee met 4 times, the Credit Committee 24 times, the Management Committee 4 times, the Finance Committee 9 times, the Risk Committee 4 times, and the Loan Loss Committee 4 times.

II. SUPERVISORY ACTIVITIES CARRIED OUT.

During the year ended as of 31 December 2023, the Board of Statutory Auditors met 27 times.

On 1 March 2023 and 29 May 2023, the Board of Statutory Auditors carried out and forwarded to the Board of Directors and Central Bank, the self-assessment documents of the requirements of good standing, professionalism, and independence as set forth in Part IV, Title II of the CBSM Regulation 2007-07, as supplemented by the criteria of fairness and competence provided for in Article 1 of CBSM Regulation 2020-01 of the members of the Board of Statutory Auditors. On 21 April 2023, 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.

On 6 November 2023 the Board of Statutory Auditors carried out, and forwarded to the Board of Directors, its opinion pursuant to Article 25 of FIA Instruction no. 5, Series: Financial Subjects, regarding the appointment of the AML Officer.

During the 20223 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.

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 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 during the year.

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

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.

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 Connected Persons;

The Board of Statutory Auditors 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 2023 financial year.

Finally, it is acknowledged that meetings were held with the auditing 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 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 2023, 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 31/12/2023 amounted to $\mathfrak{E}92,592,024$ and consisted of the share capital of $\mathfrak{E}20,880,080$, ordinary or legal reserve of $\mathfrak{E}46,936,389$, reserve for treasury shares of $\mathfrak{E}14,378$, other reserves of $\mathfrak{E}967,554$, revaluation reserve of $\mathfrak{E}18,184,128$, and profit for the year of $\mathfrak{E}5,609,495$.

In addition to the amount of Net Equity as identified above, the General Financial Risk Fund must be added, due to its nature, which amounted to &1,423,222 as of 31 December 2023 (see line 90 of the Statement of Liabilities).

The Supervisory Limits, which are detailed and described in the Financial Statements documents, show a *total capital ratio of* 17.71% for the year 2023, an improvement over the 31 December 2022 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 &64.621 million. The Bank shows no capital shortfall for Prudential Supervision purposes in the year just ended.

Cash loans to customers amounted to $\[epsilon]$ 277.856 million, down $\[epsilon]$ 53.641 million from the previous year (-16.18%).

Gross impaired loans at the end of 2023 stood at \in 45.438 million, a year-on-year decrease of \in 19.308 million (-63.58%).

A significant factor in the reduction of doubtful loans was the finalization of the system securitization transaction pursuant to Law No. 151/2021.

During the year, BAC continued with the constant monitoring of credit positions.

Overall, total loans to customers amounted to $\[mathcal{e}\]$ 291.425 million, against which value adjustments of $\[mathcal{e}\]$ 13.569 million were made; the overall coverage ratio of loans to customers was 4.66%, compared to 16.61% as of $\[mathcal{e}\]$ 31/12/2022.

The profit and loss account for the 2023 fiscal year closed with a positive result for the year in the amount of ϵ 5,609,495, compared to the positive result of the previous year, which recorded a profit of ϵ 1,051,178.

This result was positively affected by the sustained rise in interest rates, which took place as early as 2022 and continued in the following year, leading to an increase in profitability, primarily in terms of net interest income, with an increase in the latter of $\epsilon 4.665$ million (+38.9%) compared to the previous year. Dividends decreased by $\epsilon 0.720$ million (-47.15%, also due to the lower presence of financial instruments with these characteristics).

Overall, the financial margin saw an absolute increase of $\&cite{3.944}$ million (+29.20%), while the service margin increased by $\&cite{61.681}$ million (+24.17%).

On 4 May 2024, the auditing firm AB&D S.p.A. issued its report on the financial statements with a positive opinion and reminder. 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 31/12/2023 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 disclosure requirements: "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 31/12/2023 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 from 2019. As a result of the aforementioned accrual process, the suspended value adjustments, recorded under asset item 130 "Other assets" as of 31/12/2023, amount to €22,908,809 with an impact on the 2023 profit and loss account of €4,581,762, recorded under item 140 "Value adjustments on loans and provisions for guarantees and commitments."
- The Bank participated as originator in the System Securitization transaction pursuant to Law no. 157 of 30 August 2021, as amended and finalized at the end of 2023. Further information on the securitization transaction in question is described in the "Statement of Assets and Liabilities" section of the Management Report as well as at the foot of the tables in the Explanatory Notes to the financial statements relating to the balance sheet asset items involved, to which reference should be made.
- The Bank, as permitted by the regulations, has set aside EUR 1,423,222 to the General Financial Risks Fund as capital reinforcement, all of which is detailed in section 19.1 of the Explanatory Notes to the Financial Statements.

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 2023, as prepared by the directors.

The Board of Statutory Auditors agrees with the proposed allocation of the 2023 financial year profit, as formulated by the administrative body.

San Marino, 13 May 2024

Dott.ssa Vanessa Tavolini (Chairman)

Dott. Giorgio Ruticali (Auditor)

Avv. Erika Marani (Auditor)

SUBJECTIVE AND OBJECTIVE CONDITIONS

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

San Marino, 13 May 2024

Dott.ssa Vanessa Tavolini (Chairman)

Dott. Giorgio Ruticali (Auditor)

Avv. Erika Marani (Auditor)

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 31/12/2023, 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 31/12/2023 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 31/12/2023 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 31/12/2023, amount to €22,908,809 with an impact on the 2023 profit and loss account of €4,581,762, recorded under item 140 "Value adjustments to receivables and provisions for guarantees and commitments".
- The Bank participated as the originator in the system-wide Securitization operation
 pursuant to Law No. 157 of 30 August 2021, and subsequent amendments, finalized at the
 end of 2023. Further information regarding the aforementioned securitization operation is

- described in the "Balance Sheet" section of the Management Report, as well as at the bottom of the Explanatory Notes tables related to the affected balance sheet asset items, to which reference is made.
- The Bank, as permitted by regulations, has allocated €1,423,222 to the General Financial Risks Fund as a capital reinforcement, as further detailed in section 19.1 of the Explanatory Notes.

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 31/12/2023, including its consistency with the related financial statements and its compliance with the Regulation.

We carried out the procedures indicated in the auditing principle (SA Italia) no. 720B 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 31/12/2023 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 31/12/2023 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, 3 May 2024

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

Marco Stolfi Director

