



BSI

banca sammarinese
di investimento

Financial Statements

Year 2023

TABLE OF CONTENTS

CORPORATE OFFICERS AS OF 31/12/2023	3
PRESENCE WITHIN THE TERRITORY: BRANCHES	4
BOARD OF DIRECTORS' REPORT ON MANAGEMENT	5
INTERNATIONAL MACROECONOMIC SCENARIO	5
INTERNATIONAL FINANCIAL MARKETS	8
ITALY'S ECONOMIC PERFORMANCE	9
SAN MARINO'S eCONOMIC PERFORMANCE	10
SAN MARINO'S FINANCIAL SYSTEM	12
REGULATIONS INTRODUCED IN 2023	14
BANCA SAMMARINESE DI INVESTIMENTO	17
RECLASSIFIED STATEMENT OF ASSETS AND LIABILITIES	25
RECLASSIFIED PROFIT AND LOSS ACCOUNT	26
highlights and indicators	27
STATEMENT OF CASH FLOW	30
SUBSEQUENT EVENTS	31
BUSINESS OUTLOOK	31
other information	31
PROPOSAL FOR THE ALLOCATION OF PROFITS	32
FINANCIAL STATEMENTS	33
BALANCE SHEET - ASSETS	33
BALANCE SHEET - LIABILITIES	35
BALANCE SHEET - GUARANTEES AND COMMITMENTS	36
PROFIT AND LOSS ACCOUNT	37
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS	38
SECTION A - ACCOUNTING PRINCIPLES	38
SECTION B - INFORMATION ON THE STATEMENTS OF ASSETS AND LIABILITIES - ASSETS	45
Section C - INFORMATION ON THE STATEMENTS OF ASSETS AND LIABILITIES - LIABILITIES	79
Section D - INFORMATION ON THE STATEMENTS OF ASSETS AND LIABILITIES - GUARANTEES AND COMMITMENTS	93
SECTION E - INFORMATION ABOUT THE STATEMENT OF ASSETS AND LIABILITIES - MEMORANDUM ACCOUNTS	99
SECTION F - INFORMATION ABOUT THE PROFIT AND LOSS ACCOUNT	103
SECTION G - OTHER INFORMATION TABLES	118
SECTION H - OTHER INFORMATION	123
ATTACHMENTS TO THE FINANCIAL STATEMENTS - REPORT OF THE BOARD OF STATUTORY AUDITORS - INDEPENDENT AUDITORS' REPORT	124

CORPORATE OFFICERS AS OF 31/12/2023

BANCA SAMMARINESE DI INVESTIMENTO S.P.A.

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<i>Economic Operator Code</i>	18493
<i>Share Capital</i>	€ 21.500.000,00 fully paid in
<i>Registration</i>	Companies Register no. 2771 of 29/05/2002 Register of Authorized Subjects no. 17 of 05/05/2006 Register of Parent Companies no. IC006 of 08/08/2022

Bank implementing the depositor protection system introduced by Delegated Decree no. 111/2011

Board of Directors

Gabriele Monti	Chairman
Emanuel Colombini Paolo Mularoni Neni Rossini Pier Giovanni Terenzi	Directors

Board of Auditors

Francesca Monaldini	Chairman
Fabrizio Cremoni Alida Tosi	Standing Auditors

Pierluigi Rossetti	Managing Director
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AB&D Audit Business & Development S.p.A.	Auditing Firm
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PRESENCE WITHIN THE TERRITORY: BRANCHES

BIC SWIFT

BSDISMSDXXX

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BOARD OF DIRECTORS' REPORT ON MANAGEMENT

INTERNATIONAL MACROECONOMIC SCENARIO

A resilient global economy and falling inflation characterized 2023. In the second part of the past year, once the economic contraction resulting from the Covid-19 pandemic and the first phases of the Russian-Ukrainian conflict as well as the inflation peak of 2022 were left behind, economic growth was stronger than expected, both in the United States and in several emerging markets and developing economies. The Eurozone is an exception since here growth was rather limited due to weak consumer confidence, the high prices of energy products and the weakness of investments. However, while the high financial costs slowed down investments in the old continent, their effect was even more disruptive in countries with low-income economies where, unfortunately, production still remains in great decline and well below the levels of the years before 2020.

Inflation, which had reached its peak during 2022 as previously observed, is decreasing faster than expected, without too many consequences in terms of employment or business, thanks to the positive trend of the supply and the restrictive policies of central banks.

However, these policies negatively affected the cost of financing, putting particular pressure on the real estate sector. Despite the progressive easing of inflation, long-term financing rates remain high due to the growing public debt as well.

The dynamics of rates appears to have also been influenced by the asynchrony of the decisions made by central banks. In particular, in some countries where inflation is falling, interest rates have been falling since the second half of 2023. This is, for example, the case of Brazil and Chile, where central banks moved more promptly compared to other states.

In the United States, the FED approved the last rate increase – the eleventh since March 2022 – in June 2023, settling at a range of 5.25-5.50%. Only recently has the FED, taking note of the progressive decrease in inflation, expressed a favorable orientation towards accelerating the normalization of rates.

In Europe, the ECB approved 10 increases starting from the summer of 2022, the last of which dates back to September 2023. The official rate stood at 4.50% and, according to the indications expressed by the Board, it will be maintained for a sufficiently long period to facilitate the timely return of inflation to the 2% target. However, in light of the most recent data, it cannot be ruled out that a reduction in the restrictive orientation could be announced within the first half of the year.

Conversely, in China, where inflation stands at values close to zero, the Central Bank loosened monetary policy. In Japan too, rates were kept close to zero.

During 2023, different attitudes were observed in different countries also with respect to tax policies. While the governments of advanced economies relaxed their policies – this is the case of the United States, which further reduced fiscal pressure compared to the Eurozone, and of other economies that recorded lower economic growth – in the emerging markets and in developing economies, the budgetary stance should be neutral (with the exception of Brazil and Russia which loosened their fiscal policy in 2023).

Finally, in low-income countries liquidity substantially decreased due to the progressive increase in rates, taking resources away from investments and further slowing recovery. As for 2024, the prospects report a general tightening of the fiscal position both in advanced economies and in emerging or developing ones, aimed at

Year 2023

rebuilding a margin for budgetary maneuver and slowing down the growth of public debt.

According to the OECD report on global bond debt (2024 Global Debt Report: bond markets in a high-debt environment), the total volume of sovereign debt, together with corporate and sustainable debt, reached a record level of almost 100 trillion dollars in 2023, similar to global GDP.

In particular, in 2023, the sovereign debt of the 38 OECD countries reached the ceiling of 54 trillion dollars and 2024 estimates speak of a further growth of 2,000 billion dollars. Among the countries that contributed most to the explosion of public debt are the United States, which alone accounts for 50% of the stock of public debt, Great Britain, which accounts for approximately 6% of the stock, and Italy. In contrast, France, Germany and Japan saw their debt decrease. Despite this, the contribution of EU countries to sovereign debt amounts to 20%, followed by Japan 16% and the other OECD countries, which overall account for the remaining 9%.

In light of the restrictive policies adopted by central banks, the OECD estimates that the cost of debt increased from 1% in 2021 to 4% in 2023 on average, with interest expenditure rising in the same period from 2.3% to 2.9% of GDP.

According to OECD analysts, public finances remained relatively stable, despite the significant increase in the cost of sovereign issues, since the impact of inflation on nominal GDP and the lengthening of maturing debt counterbalanced the greater indebtedness.

Looking ahead, global growth promises to be resilient but slow. The latest data published by the International Monetary Fund (World Economic Outlook, Update January 2024 – WEO JAN 2024) report global growth estimates of 3.1% for 2023 and 2024 with an increase of one percentage point in 2025. Compared to the previous IMF publication, said estimates were revised upwards, taking into account the improvements recorded in the United States, China, large emerging markets and developing economies. However, global growth still remains below the 2000-2019 average, mainly due to restrictive monetary policies and the withdrawal of fiscal support.

In particular, advanced economies are estimated to record a slight decline in growth in 2024 and then recover in 2025, while emerging markets and developing economies, albeit with regional differences, should record stable and progressive growth.

World trade growth is forecast at 3.3% in 2024 and 3.6% in 2025, below its historical average growth rate of 4.9%, under the weight of growing trade distortions and geo-economic fragmentation.

As for the trend in fuel prices, which widely contributed to inflationary dynamics, forecasts report a decrease in prices in the two-year period 2024-2025 with a special decrease of 2.3% in the average oil price in 2024. Similarly, in 2024, commodity prices are also revised down by 0.9%.

WORLD ECONOMIC OUTLOOK UPDATE, JANUARY 2024

Table 1. Overview of the World Economic Outlook Projections

(Percent change, unless noted otherwise)

	Year over Year						Q4 over Q4 2/		
	Estimate		Projections		Difference from October 2023		Estimate	Projections	
	2022	2023	2024	2025	WEO Projections 1/				
					2023	2024	2025		
World Output	3.5	3.1	3.1	3.2	0.2	0.0	3.1	3.1	3.1
Advanced Economies	2.6	1.6	1.5	1.8	0.1	0.0	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	0.6	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	0.0	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	0.0	...	...	...
Nigeria	3.3	2.8	3.0	3.1	-0.1	0.0	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	0.0	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	0.0	4.3	4.3	4.1
Low-Income Developing Countries	5.2	4.0	5.0	5.8	-0.1	0.0	...	...	...
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									
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)	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 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.

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

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) is \$79.10 in 2024 and \$75.31 in 2025.

Year 2023

The table above, taken from WEO JAN 2024, describes the growth forecasts worked out by IMF experts.

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

- 2023 growth estimates for the American economy stand at +2.5%, while projections for the following two years show a slowdown (+2.1% for 2024 and +1.7% for 2025) to be linked to the delayed effects of the restrictive monetary policy, the gradual fiscal tightening maneuver and the weakening of the labor markets;
- growth in the Eurozone after the slowdown that characterized 2023 (estimate +0.5) should resume thanks to the expected return of inflation and the decrease in prices. Nonetheless, growth projections remain well below those of advanced economies, standing at 0.9% for 2024 and 1.7% for the following year. Among Eurozone countries, Spain is leading 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% respectively), Italy (+0.7%, +0.7% and +1.1%) and, at the bottom, Germany, whose growth estimates after difficult 2023 (-0.3%) are given at +0.5% for 2024 and +1.6% for 2025;
- even in the United Kingdom, growth is expected to increase modestly, from an estimated 0.5% in 2023 to 0.6% in 2024, before settling at 1.6% in 2025, thanks to the easing of financial conditions and the recovery of income due to disinflation;
- in Japan, growth is expected to slow down from 1.9% estimated for 2023 to 0.9% in 2024 and 0.8% in 2025, due to the appreciation of the yen, domestic demand and the reduction in business investments.

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

China is forecast to grow at 4.6% in 2024 and 4.1% in 2025, reflecting stronger than expected growth in 2023 and increased public spending, while in India growth will remain sustained in both 2024 and 2025 (+6.5%) thanks to strong domestic demand.

Growth in emerging European countries, estimated at 2.7% in 2023, is expected to increase slightly in 2024 (+2.8%) before falling back to 2.5% in the following year. In particular, in Russia, higher-than-expected growth was estimated in 2023 (+3.0%), while forecasts for 2024 and the following year stand at 2.6% and 1.1% respectively.

In Latin America, growth is at 2.5% for 2023 and is expected to slow down in 2024 and then return to the same levels in 2025. The forecasts are affected by the critical macroeconomic issues recorded in Argentina and the consequent decrease recorded in the country.

INTERNATIONAL FINANCIAL MARKETS

After troubled 2022, 2023 proved to be a year of significant recovery for markets in general. In particular, significant recoveries were observed in many stock markets which achieved extraordinary returns driven by the sudden fall in inflation, especially in the final months of the year, and by the stability of economic activity.

In the United States, technology stocks performed very well, with the NASDAQ 100 index up by 53.81%, while traditional stocks performed more modestly, though significantly, with the Dow Jones index up by 16.18%. In Europe, the FTSE MIB rose by 28.03%, the Spanish IBEX 35 recorded +22.76%, the German DAX closed the year with +20.31%, and the French CAC 40 grew by 16.52%. Double-digit growth was also recorded for Asian stock market indices, where the Japanese NIKKEI 225 index grew by 28.24%, followed by the Taiwanese FTSE TWSE 50 and the Indian NIFTY 50, which rose by 24.87% and 20.03%, respectively. Also noteworthy is decreased volatility.

Bond prices, especially in the last part of the year, also recorded a significant increase, thanks to the operators' growing belief that central banks were close to defeating the inflationary dynamics.

Year 2023

Since last spring, long-term government bond yields have risen in major countries. In particular, the increase was accentuated in the United States, thanks to the strength of the economy, high macro-financial uncertainty and the large supply of securities by the Treasury. This increase was partly transmitted to those of the other major advanced economies. Specifically, the average cost of the stock of Italian government bonds in circulation is around 3% and their residual life is just under seven years. As for the spread between Italian and German government bonds, it ranged at around 40 basis points, closing the year at 167.68.

Unless the geopolitical situation worsens and inflation rises to such an extent as to exclude a cut in official rates, it is expected that in the first part of 2024 the stock and bond markets will continue their expansion phase in synchrony. As for the second part of the year, economic growth should drive the markets, so that, due to the weakening of the economic environment, we are expected to witness a normalization of stock market profits and an increase in volatility.

As for currencies, 2023 saw a strengthening of the Euro against the main foreign currencies. In particular, the European currency appreciated during the year against the US Dollar (+3.14%), the New Zealand Dollar (+3.54%), the Australian Dollar (+3.01%) and the Canadian Dollar (+0.92%) and recorded a double-digit increase in value against the Japanese Yen (+10.76%). Conversely, the Euro weakened against the British Pound and the Swiss Franc, with losses of 2.20% and 6.18% respectively.

The price of gold recorded an increase of 13.11%, thus confirms itself as a safe haven for investors even for 2023.

Talking about raw materials, 2023 was marked, as previously highlighted, by a progressive decline in the price of oil. At the end of the year, Brent and WTI prices were down 10.37% and 11.43%, respectively. Other raw materials such as soybeans, wheat and corn also saw significant price declines over the 20% threshold.

Finally, cryptocurrency prices saw mixed results in 2023: on the one hand, the exceptional year of Solana, whose prices grew by over 960%, and of Bitcoin and Ethereum, which recorded a significant increase (+155% and +92% respectively), and on the other hand, a decline close to 100% of other cryptocurrencies, as in the case of Dora Factory and Callisto Network.

ITALY'S ECONOMIC PERFORMANCE

As mentioned above, the European economy, including Italy's, slowed down in 2023. Compared to 2022, when the Italian GDP grew by 3.7%, growth forecasts are estimated at +0.7% for 2023 and the 2024 and 2025 projections are set at +0.7% and +1.1% respectively. The causes of the slowdown are to be found, in addition to the progressive exhaustion of the push due to the post-pandemic recovery, in inflation and in the related increase in interest rates.

Inflation remains resistant and still far from the 2% target due to the effect of the increases in energy products on the prices of goods and services and the consequent increase in core inflation, which peaked at the beginning of 2023. On the other hand, the increase in rates was followed by a sudden increase in the cost of credit for families and businesses, leading to a reduction in demand, estimated by ABI at 2.8 percentage points as at 31/12/2023, as well as in investments, especially real estate investments. Likewise, the restrictive policy significantly affected the quality of credit, causing an increase in NPLs, as well as the liquidity of companies, which got contracted.

Growth prospects are negatively affected by the trends in energy prices, especially following the renewed escalation of tensions in the Middle East, the new Israeli-Palestinian conflict and its possible spread to neighboring countries, which could lead to a further surge in oil and gas prices.

Italian growth, albeit limited, is supported by the dynamics of household consumption, given the declining industrial

production and the setback in exports. In particular, consumption in 2023 was financed with a lower propensity to save – according to data published by ABI, deposits of resident customers as at 31/12/2023 were down by more than 3 percentage points on an annual basis – while it should be facilitated in 2024 by the recovery of purchasing power resulting from the strengthening of wage dynamics (estimates predict an increase in Italian wages of 2.8% for 2023 and 3.9% for the following year, although differentiated in the various sectors) and the progressive reduction in inflation, which was estimated by ISTAT at 5.7% at the end of 2023, against +8.7% of the previous year.

A positive contribution to growth is expected from the PNRR (National Recovery and Resilience Plan) and the implementation of the investments included in it, although the postponement of works suggests that the actual stimulus to employment will be much lower than planned. The report on the implementation status of the plan does show that, at the end of 2023, out of 101.9 billion funds received (€60.9 billion in loans and €41 billion in non-repayable grants), Italy only spent €45.65 billion, due to the revision of the projects and the completion of the preparatory activities for their implementation (competitions and calls for tenders and deliberation of expenses). As part of the PNRR, Italy should also benefit from an additional €92.5 billion of European resources to be paid upon reaching set goals and objectives.

Regarding employment, forecasts show that growth in the two-year period is almost in line with that of GDP, albeit slightly more unbalanced in 2023 due to the economic momentum recorded in the first three quarters of the past year. In particular, the number of employed people is estimated to grow annually by 1.5% for 2023 and 0.8% for 2024 on average.

However, the employment dynamics appears to be different among the various sectors. Employment in industry is holding up, while it is decreasing in the construction sector. Conversely, growth in the services sector continues, especially regarding trade, repairs, transport, accommodation and catering.

The good performance of employment positively affected the unemployment rate, which is gradually subsiding after the 10.1% peak recorded in January 2021, at the height of the health emergency. Forecasts show an average annual unemployment rate of 7.7% for 2023 and of 7.4% for 2024.

Finally, let us look at public accounts. According to data published by the Bank of Italy, Italian public debt at the end of December 2023 was equal to €2,863 billion, up from the 2022 figure, which stood at €2,757 billion. The debt/GDP ratio decreased from 288.7% in 2022 to 284% in 2023.

With these figures, Italy will have to deal with the EU Stability and Growth Pact, which is operational again as of 2024 based on the new framework recently approved by the Council and the European Parliament. In particular, while the 3% and 60% deficit/GDP ratio ceilings remain in place, the new rules require states with a debt/GDP ratio higher than 90% to ensure the consolidation of their budgets with a progressive reduction of said ratio equal to 1% per year. In addition, all states are expected to create preventive spending margins, equal to 1.5%, which can be activated in the event of a shock, without having to put pressure on the accounts.

SAN MARINO'S ECONOMIC PERFORMANCE

San Marino's good economic performance continues. Growth, unlike in the main Eurozone countries, continued to demonstrate resilience, supporting the stability of the labor market and full employment, driven by robust external demand that boosted the manufacturing and tourism sectors.

Analysts of the International Monetary Fund did estimate economic growth of 5% for 2022, while forecasts for 2023 stood at +2.2%. This slowdown is attributable to inflationary growth, the increase in interest rates and the consequent tightening of financial conditions, the weakness of external demand as well as global uncertainty, which is still affected by open conflict situations, to which the Israeli-Palestinian conflict has recently been added. According to Washington experts, the economic slowdown should also characterize the two-year period 2024-2025,

Year 2023

although less severely, with expected growth of 1.3% and largely higher than the Italian estimates (+0.7 for 2024 and +1.1 for 2025).

Hence, the invitation to proceed with structural reforms to support competitiveness, in order to increase the growth potential of the Republic, as well as to further consolidate the budgetary position, although improved in recent years, ensuring its sustainability and aiming for a level of public debt below 60% of GDP by 2028. In particular, the issuance of the Eurobond and the subsequent rollover in May 2023 significantly reduced fiscal risks, positively impacting the gross financial requirement, and supported internal liquidity, similarly to the extension of the duration of the ECB liquidity line of €100 million in favor of the Central Bank of San Marino until 31 January 2025.

Below, the main indicators are briefly reviewed with a view to providing a picture of San Marino's economy.

The number of companies operating in the territory recorded a positive balance of 101 units, increasing from 5,049 in December 2022 to 5,150 in December 2023. In particular, the progression in the number of companies concerned scientific and technical professional activities (+35 companies), real estate (+32 companies) and information and communication (+25 companies).

As at 31 December 2023, the workforce stood at 24,356 units of which: 22,030 employees, 1,535 self-employed workers and 791 unemployed people. In particular:

- I private sector employees increased by 592, from 17,579 at the end of 2022 to 18,189 at the end of 2023, while those in the public sector recorded a progression of 130 units, from 3,711 at the end of 2022 to 3,841 at the end of 2023;
- II the number of self-employed workers continued its negative trend, recording a decrease of 7 units, from 1,542 at the end of 2022 to 1,535 at the end of 2023;
- III the number of unemployed people further decreased by 33 units, from 824 at the end of 2022 to 791 at the end of 2023. The number of unemployed people in the strict sense went from 508 to 428, with a reduction of 80 units, in the same period.

The balance of cross-border workers also recorded a progressive increase of 672 units, going from 7,199 employed units in December 2022 to 7,871 in the same month of 2023.

The good performance of San Marino's labor market is also confirmed by the data relating to social welfare programs, which describe an encouraging outlook, although slightly worse than in December 2022. In particular:

- in September 2023, 628 companies resorted to the Cassa Integrazione Guadagni (CIG - redundancy fund), mainly for reasons related to temporary market situations, for a total of 379,423 hours requested and a number of workers involved of 11,126; at the end of 2022, the companies that had resorted to the CIG were 874, for a total of 374,273 hours requested and 10,749 workers involved;
- in December 2023, the workers subjected to staff reduction processes or cessation of business activity placed in a state of mobility, who benefited from the Special Economic Allowance (IES), were 2,149, compared to 2,093 in December 2022.

Inflation, which increased significantly at the end of 2022, remained high, even though it moderately decreased during 2023 and is expected to remain as such in the coming months, in line with Italian trends. In particular, it continued to accelerate during the year, recording an average trend increase of +5.9% (compared to +5.3% for the year) while the latest available data relating to December 2023 recorded a trend increase of 3 percentage points.

The categories of products and services that had the greatest impact on the acceleration of prices in the last 12 months include: "Alcoholic beverages and tobacco" (+11.6%), "Recreation, entertainment and culture" (+7.7%) "Food products and non-alcoholic beverages" (+11.2%), "Accommodation and catering services" (+8.5%) and "Furniture, household goods and services" (+6.3%). Conversely, at the end of 2023 there was a slight decline in the category

Year 2023

“Housing, water, electricity and fuels” (-2.6%), mainly due to the decrease in the prices of energy products, which had recorded a net increase on average in 2022 equal to +9.7 percentage points, with the cost of natural gas for families and electricity prices increasing by 44 and 46% respectively.

The inflation trend had a negative impact on real income, leading to contained growth of domestic consumption, which nevertheless remained positive.

SAN MARINO'S FINANCIAL SYSTEM

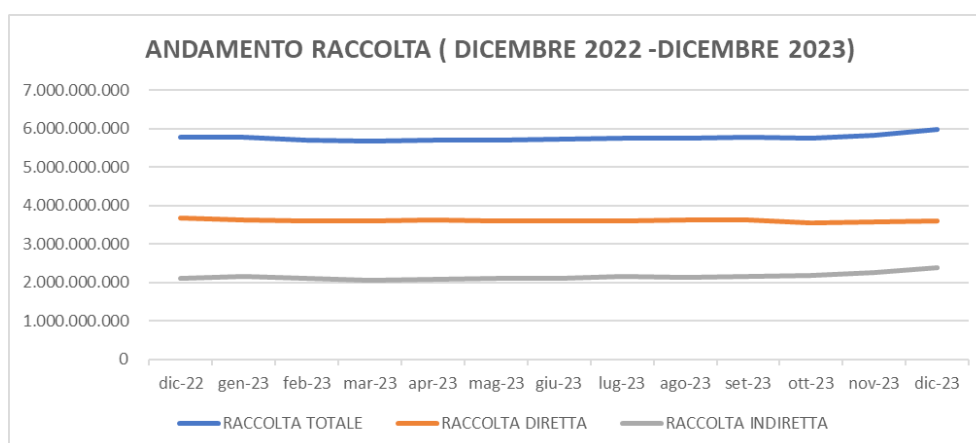
As at 31 December 2023, the financial sector of San Marino consisted of 11 entities authorized under San Marino law, of which 4 banks, 3 management companies, 1 insurance company, 1 financial company and 2 payment institutions. Also, following completion of the relevant authorization procedure, 5 foreign financial companies are authorized to carry out reserved activities as service providers without a fixed establishment.

The picture is completed by 2 San Marino-law companies, recently established as part of the system securitization project, which carry out servicing activities (I.G.R.C. Spa and S3 Srl).

With regard to the performance of the sector, the aggregate data processed by the Associazione Bancaria Sammarinese¹ confirm the newfound confidence of depositors in the San Marino banking system, which sees a consolidation of the positive trend recorded by total deposits and their components during 2023. In particular, total deposits as at 31 December 2023 amounted to €5,990 million, recording an annual-basis increase of 3.86%, equal to 222 million. As for direct deposits, the annual basis decrease stood at 1.56%, equal to €57 million. Regarding indirect deposits, there was a positive balance of €279 million, equal to +13.32%.

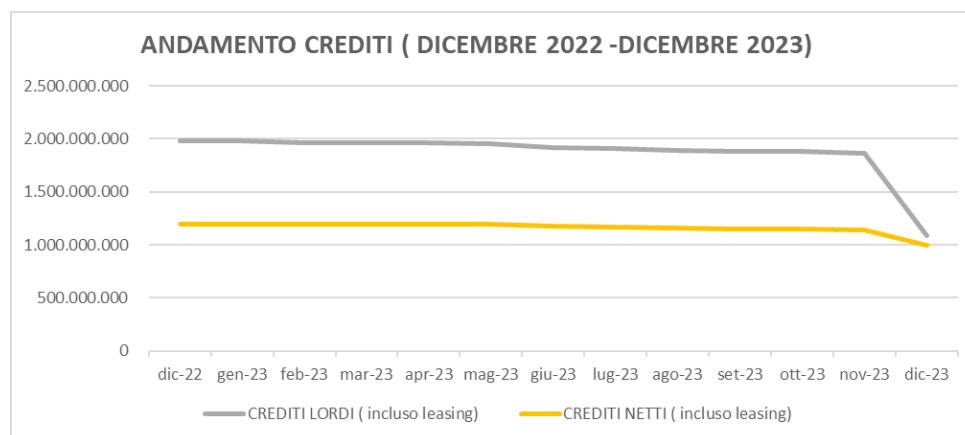
Regarding the dynamics of loans, 2023 will see the confirmation of the negative trend observed in recent years with a significant contraction in December, due to the systemic securitization operation in which over €600 million in non-performing loans were transferred by the Originators to the System Vehicle. In fact, based on the trend data processed by the association, gross loans to customers (including leasing) stood at €1,086 million as at 31 December 2023, down 45.04% compared to 31 December 2022.

To better understand the dynamics recorded in the financial system of San Marino in the last two years, two graphs are shown below describing the trends of total deposits and their components and of gross and net loans.



¹ Data source: monthly report produced by the Associated Banks relating to the deposit and loan data extrapolated from the “SC Accounting Situation (Circular 2017/04)” report transmitted by them to the CBSM; the historical series is implemented starting from the survey as at 31 December 2020.

Year 2023



As for *Non-Performing Loans*, the statistics compiled by the Central Bank of San Marino with regard to the third quarter of 2023 refer to gross doubtful loans for a total of €1,021 million, of which 393 million non-performing loans, with a *coverage ratio* on doubtful loans of 70.7%. Although the data already show an improvement compared to the end of 2022, as a result of the strategy adopted by banks and Authorities for their reduction, it should be noted that significant steps forward were made towards the end of the year thanks to the finalization of the systemic securitization operation pursuant to Law 157/2021, which was mentioned above.

In fact, a stock of NPLs with a nominal value of €612 million was sold by the San Marino *originators* to the Vehicle System, last December. The Vehicle followed up the sale with the issue of global securities in three tranches. The senior securities, for a purchase value of approximately €70 million and with a public guarantee, are netted and were subscribed by institutional investors listed on Euronext Access Milan, demonstrating the international nature of the operation, in the preparation of which primary standing entities such as JPMorgan, Banca Guber and the legal teams of Orrick and Studio BNM collaborated. The mezzanine securities, for a value of approximately €40 million, and the junior securities, for a value of approximately €50 million, were subscribed by the same originators.

As a result of securitization, the gross NPL ratio decreased from 54.1% to 45%, while the net ratio decreased from 25.8% to 17.4%.

This figure is expected to further decrease as a result of the issuance of the “*calendar provisioning*” regulatory package, issued by the Central Bank in the second quarter of 2023 with the aim of reducing the risks present in bank balance sheets arising from impaired credit exposures and avoiding their re-accumulation in the future, as well as aligning the San Marino provisions regarding the classification of the aforementioned exposures with European best practices.

As for the shareholders’ equity (including the provision for general banking risks), the aggregate figure as at 30 September 2022, which can be inferred from the third-quarter CBSM Information Bulletin, stands at approximately €316 million, against €297 million on 31 December 2022.

With the aim of following up on the progressive implementation of the recommendations formulated by the supranational organizations and the international parameters, the San Marino Authorities, together with the system, worked to find functional solutions for increasing capital levels, continuing with the restructuring of the financial system to increase efficiency and profitability.

REGULATIONS INTRODUCED IN 2023

Primary regulations

During 2023, the following primary regulatory acts were issued, having an impact on the San Marino banking and financial sector:

- Delegated Decree no. 12 of 26 January 2023 *Amendments and coordination to Law no. 157 of 29 November 2022 – Reform of the Social Security System and related ratification provision (Delegated Decree no. 30 of 23 February 2023)*
- Delegated Decree no. 17 of 8 February 2023 *Provisions on the methods of access to, maintenance and consultation of the Register of Companies pursuant to Law no. 47 of 23 February 2006 – Law on Companies and subsequent amendments*
- Delegated Decree no. 18 of 8 February 2023 *Amendments to Law no. 47 of 23 February 2006 – Law on Companies and subsequent amendments*
- Delegated Decree no. 19 of 8 February 2023 *Updating and coordination provisions in financial matters and related ratification provision (Delegated Decree no. 50 of 21 March 2023)*
- Delegated Decree no. 22 of 20 February 2023 *Innovative Consolidated Law on Provisions on Telematic Communication with the Administration and Access to the Administration's Online Services and related ratification provision (Delegated Decree no. 51 of 21 March 2023)*
- Delegated Decree no. 35 of 3 March 2023 *Establishment of the Joint Commission for the enhancement of the EU integration process and related ratification provision (Delegated Decree no. 52 of 21 March 2023)*
- Delegated Decree no. 38 of 3 March 2023 *Coordination of the rules in application of Law no. 164 of 9 December 2022 – Reform of the rules relating to employment and related ratification provision (Delegated Decree no. 48 of 17 March 2023)*
- Delegated Decree no. 62 of 12 April 2023 *Amendment to Delegated Decree no. 72 of 25 June 2018 and subsequent amendments "New provisions on subsidized credit for the hotel sector" and related ratification provision (Delegated Decree no. 74 of 2 May 2023)*
- Delegated Decree no. 79 of 4 May 2023 *Provisions relating to operations pursuant to Article 3 of Law no. 171 of 23 December 2022*
- Decree-Law no. 81 of 10 May 2023 *Extraordinary extension of the deadlines for filing tax returns and related obligations*
- Delegated Decree no. 82 of 11 May 2023 *Issuance of Public Debt Securities - Republic of San Marino, fixed rate 6.50%, 19 January 2027 and related ratification provision (Delegated Decree no. 83 of 13 May 2023)*
- Delegated Decree no. 89 of 1 June 2023 *Amendments to Delegated Decree no. 141 of 5 October 2022 – Cross-border transfer of cash*
- Delegated Decree no. 91 of 1 June 2023 *Coordination of the rules in application of Law no. 164 of 9 December 2022 – Reform of the rules on employment*
- Decree-Law no. 105 of 8 July 2023 *Postponement of the terms provided for by Articles 17, 20 and 24 of Law no. 164 of 9 December 2022 – Reform of the rules on employment*
- Delegated Decree no. 106 of 10 July 2023 *Regulation of the trade of Gold and other Precious Metals for Investment and related ratification provision (Delegated Decree no. 134 of 27 September 2023) and implementing provision (Regulation no. 16 of 31 October 2023)*
- Delegated Decree no. 120 of 18 August 2023 *Regulation of fixed-term employment contracts, temporary work services and secondments of workers and related ratification provision (Delegated Decree no. 153 of 30 October 2023)*

Year 2023

- Decree-Law no. 129 of 7 September 2023 *Transfer of resources subject to criminal seizure from the Central Bank of the Republic of San Marino*
- Law no. 132 of 15 September 2023 *Changes to the Budget of the State and of Public Bodies for the financial year 2023 and amendments to Law no. 171 of 23 December 2022*
- Parliamentary Decree no. 136 of 27 September 2023 *Ratification of the Protocol amending the Convention for the protection of individuals with regard to automatic processing of personal data*
- Decree-Law no. 138 of 28 September 2023 *Extension of the terms set out in Article 38 of Law no. 164 of 9 December 2022 - Reform of the rules relating to employment and subsequent amendments*
- Delegated Decree no. 146 of 10 October 2023 *Adaptation of national legislation to international conventions and standards on the prevention and fight against money laundering and terrorist financing and related ratification provision (Delegated Decree no. 134 of 31 October 2023 n. 154)*
- Delegated Decree no. 147 of 13 October 2023 *Issuance of Public Debt Securities - Republic of San Marino, fixed rate 3.90%, 6 December 2024*
- Regulation no. 14 of 25 October 2023 *Regulation of the forms and methods of implementation of Law no. 157 of 30 August 2021 - Measures and tools for the securitization of credits*
- Delegated Decree no. 150 of 25 October 2023 *Regulation of technologies based on distributed registers*
- Delegated Decree no. 155 of 31 October 2023 *Amendment to the provisions relating to the subjective deductions provided for by Article 16 and by Article 16 referred to in Article 148, paragraph 8, of Law no. 166 of 16 December 2013 and subsequent amendments*
- Delegated Decree no. 157 of 31 October 2023 *Update of the transformation and revaluation coefficients for contribution-based pension schemes*
- Delegated Decree no. 161 of 7 November 2023 *Amendments to articles 197 and 198 of the Criminal Code - Misappropriation and Unfaithful Administration*
- Delegated Decree no. 165 of 20 November 2023 *Provisions relating to securitization transactions pursuant to Law no. 157 of 30 August 2021 and related ratification provision (Delegated Decree no. 176 of 4 December 2023)*
- Delegated Decree no. 167 of 28 November 2023 n. 167 *Regulation of migration flows based on work reasons and extraordinary needs for the year 2024*
- Law no. 170 of 30 November 2023 *Framework law on benefit companies*
- 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 supported by the state contribution referred to in Law no. 44 of 31 March 2015 and subsequent amendments*
- Delegated Decree no. 185 of 18 December 2023 *Regulation of economic activities*
- Law no. 186 of 19 December 2023 n. 186 *General Financial Statements of the State and Public Bodies for the financial year 2022*
- Law no. 194 of 22 December 2023 *Budgets of the State and of Public Bodies for the financial year 2024 and 2024/2026 Multi-Year Budgets*
- Delegated Decree no. 197 of 29 December 2023 *Interventions regarding access to the CIG (Redundancy Fund) and related sanctions*
- Delegated Decree no. 198 of 29 December 2023 *Interventions to mitigate interest rates on mortgages on residences*
- Delegated Decree no. 199 of 29 December 2023 *Reorganization of Gestione Separata (Separated Pension Scheme), coordination interventions regarding social security, revision of the rules regarding work activity for pension recipients and family solidarity*
- Delegated Decree no. 200 of 29 December 2023 *Supervisory Body pursuant to Law no. 157 of 30 August 2021*
- Ratification of Delegated Decree no. 154 of 31 October 2023 *Adaptation of national legislation to international conventions and standards on the prevention and fight against money laundering and terrorist financing*

Secondary regulations

During 2023, the Central Bank of the Republic of San Marino adopted the following secondary measures:

1. Regulation no. 2023/01 *Miscellany of targeted revision interventions to the supervisory provisions in force*
2. Regulation no. 2023/02 *Regulation updating the supervisory provisions on credit exposures*
3. Regulation no. 2023/03 *Regulation on investment solicitation*
4. Regulation no. 2023/04 *Regulation on the consolidated financial statements supplementing Regulation no. 2016-02 and Circular no. 2017-03*
5. Regulation no. 2023/05 *Update of the regulation on the procedures for feeding and maintaining the debtor register*
6. Circular no. 2023/01 *Circular on the minimum coverage of impaired credit exposures of banks*
7. Circular no. 2023/02 *Circular on the operational provisions for the application of Article 34 of Law no. 70/2004*

BANCA SAMMARINESE DI INVESTIMENTO

OPERATING PERFORMANCE

Last year, the Bank achieved and largely exceeded the objectives set by the three-year development plan (for the years 2021/2023) drawn up in collaboration with the Bologna-based consultancy firm Prometeia, approved in January 2021, continuing the work of strengthening its presence on the domestic market.

With great satisfaction, we can state that the Bank achieved outstanding results, becoming absolutely important in the San Marino financial panorama. By making a comparison with global system data, it is evident that BSI, from the change in the corporate mission towards retail banking, has achieved a market share of more than 25% of total direct and indirect deposits in just over 12 years.

The 2023 final balance should be considered extremely positive, especially because it was achieved in a period that was still marked by the Russian-Ukrainian conflict, which broke out at the beginning of 2022 and is still ongoing, heavily affecting the already complex global economic scenario.

The application of international sanctions, promptly adopted against Russia, triggered the energy and raw materials crisis, helping to start an inflationary process that is still ongoing. Central banks, in order to combat this process, adopted a strong rate-raising policy, generating great uncertainty and volatility, particularly in the financial sector.

These dramatic events had an impact on the performance of the main financial markets, which recorded significant losses in 2022, only partially recovered during the course of last year.

During 2023, the Bank continued to carefully assess the existing risks regarding counterparties located in the countries involved in the Russian-Ukrainian conflict and monitored existing and potential customers, with a view to complying with the sanctions introduced in Europe and in San Marino.

The ambitious objectives set by the industrial plan for 2023 were all largely exceeded, as were the objectives set for the credit sector, with the Bank continuing to support economic operators and families in San Marino.

The Bank's approach to the granting of credit remains, as in the past, always based on the utmost prudence and we are pleased to note that the market share achieved exceeded 20% of the total net performing loans granted by the San Marino banking system.

The *Private Banking* sector relating to banking and financial services provided to customers of high standing remains a central element of our business. The development of this sector, also made possible by the continuous training of personnel, is a priority to the Bank and is aimed at providing, in the near future, the same services to foreign customers with specific needs.

It should be noted that our Bank was the first institute on the San Marino market to issue its own credit cards. We believe that the decision taken in the past to manage the credit card service in complete autonomy has given more than positive feedback and has allowed for a good return on the company's image. To date, the structure deals with all the *issuing* and *acquiring* activities, as well as the placement of *revolving* cards.

Year 2023

Let us briefly review the main events of 2023 that concerned the Bank.

Law no. 171/2022 (art. 16) allowed economic operators to carry out the revaluation of capital goods registered in the register of depreciable assets as at 31/12/2022. The Institute, following the resolution of the Board of Directors of 25/01/2023 and based on a suitable sworn appraisal report by a professional registered in the San Marino register or order, proceeded to carry out the revaluation of owned buildings (item B3. Revaluations) and simultaneously set aside the active balances corresponding to item 140 "Revaluation reserve" of the Balance Sheet Liabilities, a reserve to be used exclusively to cover future losses or to increase the share capital (better detailed in the explanatory notes).

During the year, the Bank dedicated a lot of time and resources to preparatory activities for the start of the operations of the subsidiary 739 SG Spa. These efforts materialized with the start of the placement of 4 mutual funds open to the general public, created by SG and authorized by CBSM.

It should be noted that the long process that led to our acquisition of SCUDO SG Spa, taken over by the asset management company formerly BNS Spa, ended only in July 2022.

The company was acquired for the synergies it can achieve with the bank, such as the placement with its customers of open-ended mutual investment funds created and managed by SG.

The asset management sector has always been a fundamental asset of our bank and consequently this acquisition represents its natural evolution.

During 2023, the activity of SG was focused on the creation of funds deriving from the transfer of asset management lines that have already been active for some time within the bank. It is worth highlighting the significant weight of BSI within the domestic market in the managed savings sector, with a market share of over 70%.

2 October 2023 was the starting date of the public placement of four funds called:

- 739 SMART LIGHT
- 739 SMART
- 739 SMART PLUS
- 739 HIGH PERFORMANCE.

Since their launch, the new funds have met with positive feedback from customers, exceeding €70 million deposits in just three months. Please note that BSI is currently the only placing bank for the funds created by 739 SG.

Here is an update for the other funds managed by the company, namely:

- Loan Management closed-end alternative fund;
- Odisseo closed-end alternative fund;
- Scudo Arte Moderna fund in liquidation.

The first two are NPL funds that were included in the system securitization project completed last December. Therefore, the aforementioned funds sold all the credits and properties held and currently only manage liquidity, bonds issued by the Republic of San Marino and the junior and mezzanine ABSs issued following the aforementioned system securitization operation.

The Arte Moderna fund, in liquidation for three years, was definitively closed in December 2023.

The Bank's workforce as at 31/12/2023 increased by 1 unit compared to the previous year, thus reaching a total number of 60 employees.

During the year, given the increase in volumes and the number of customers, as well as to compensate for a

Year 2023

resignation, two new employees were hired.

As at 31/12/2023, the staff was distributed as follows: 31 employees in the commercial network and 28 employees in the management offices.

The average age of the staff is 39 years. 57% are male and 43% are female (data substantially unchanged compared to the past).

45% of employees have a university degree.

The Board of Directors continues to pay close attention to risk management and the internal control system. The *risk assessment* activity resulted in the definition of a system of risk objectives and the complete revision of the risk management and monitoring system, in line with the *best practices* on the subject, from a *risk appetite framework* (RAF) perspective.

In compliance with current legislation, the Bank set up the Risk Committee and the Anti-Money Laundering Committee, collective bodies with functions of inter-functional liaison, with the aim of supporting the General Management and the Heads of the relevant Organizational Units in interpreting the phenomena related to the current and potential risks that characterize the Bank's performance, with a view to conscious risk-taking and defining the most appropriate management lines.

The *Internal Audit* function remains outsourced and entrusted to the Bologna-based company PKF Italia S.p.A.

Last year was characterized by a significant effort by the staff in terms of training and professional development in the various areas of activity of the Bank.

In particular, some members of the Board of Directors and the Board of Statutory Auditors, the General Manager, the Anti-Money Laundering and Compliance Functions and the related staff participated in an online training course in the anti-money laundering field organized by the company SP Consulting Srl.

Moreover, in November 2023 the Financial Information Agency organized a training event to explore the innovative aspects brought to Law no. 92/2008, which also included participation of the Anti-Money Laundering Officer, his Deputy and the Compliance Officer.

The Compliance Officer participated in the online "Professional course for bank compliance" organized by ABI Formazione, lasting 7 working days for a total of 38.5 hours and including a final exam.

The Finance Area staff also received specific training, partly online and partly in person, with counterparties and important international brokers with whom the Bank operates.

As regards the insurance activity, the Head of the Intermediation Activity followed an e-learning refresher course, held over several sessions, in order to maintain the professional requirement set by the CBSM Regulation no. 2007-02.

As every year, the Trustee Manager and authorized colleagues participated in the technical refresher course for maintaining the qualification, organized for 2023 by the Chamber of Commerce and Economic Development Agency of the Republic of San Marino.

The senior figures of the institute, together with the members of the Board of Directors and the Board of Statutory Auditors, participated in four face-to-face events organized by the Associazione Bancaria Sammarinese (ABS) on ESG, sustainability governance and risk management.

In the field of credit and the new classification of NPEs, ABS also organized two training events attended by the control functions and branch staff.

Year 2023

With regard to the processing of personal data pursuant to Law no. 171/2018, the staff of the Bank and its subsidiary 739 SG SpA participated in a specific training course held by Rimini-based Nova Poesis. The staff was divided into 2 groups and each group participated in 4 meetings lasting approximately 1 hour and a half each. At the end of the training, the staff was invited to complete a final test to verify their learning of the notions acquired.

In addition to the courses held by external speakers, in-house training activities were carried out, intended for all employees of the institution, concerning anti-money laundering, investment products and related taxation.

Finally, the Bank financed an English course (beginners' module and advanced module) for the employees who requested it (approximately 1/3 of the total employees). Training started in November 2023 and will end in spring 2024 and was held by the San Marino British Institute.

Below are the main balance sheet and income statement figures.

Total deposits at the end of 2023 amounted to €1,535,742,351 of which €731,874,666 direct deposits and €803,867,685 indirect deposits. Compared to the previous year, the figure shows a significant increase of over €291 million (+23%).

As regards the Bank's treasury, liquidity was as follows as at 31/12/2023:

a) €101,833,436 deriving from interbank deposits (at sight and term) and foreign currency deposits;

b) €508,727,537 deriving from debt securities, and to an almost negligible amount of capital, distributed over various issuers; in particular, the trading portfolio amounts to €157,143,294, while investment securities amount to €351,584,243.

The total treasury thus amounts to €610,560,973, recording an increasing of about €74 million (+14%) on last year. As in the past, investment strategies were inspired by criteria of prudence and risk diversification.

On the lending side, 2023 recorded an increase in loans to ordinary customers, which amounted to €195,428,127 at the end of the year (+4,30% compared to 2022) gross of value adjustments and inclusive of financial leasing. The bank continues to pursue a granting policy for credit aimed at splitting it, both in terms of number of positions assigned and technical forms used.

As regards *non-performing* loans (NPL), 31/12/2023 recorded gross non-performing loans amounting to €11,436,806 with value adjustments of €6,836,367, gross impaired loans amounting to €3,636,950 with value adjustments of €2,287,644, as well as past due/overdue loans amounting to €34,944 with value adjustments of €1,747 and unsecured loans to countries at risk amounting to €1,746 with value adjustments of €9.

Therefore, the Bank's total *non-performing* loans amount to €15,110,446, recording a slight decrease compared to 2022, with a *coverage ratio* of 60.39% (compared to 47.31% last year). It should be noted that most of the aforesaid receivables relate to mortgage or leasing transactions or in any case have lien titles, which made it possible to limit the loss forecasts. The dynamics of doubtful loans to customers is adequately clarified in the specific tables of the explanatory notes to the financial statements.

Given the moderate amount of *non-performing* loans, the Bank has long since decided not to join the "system securitization" project promoted by the other three San Marino banks (CRSM - BAC - BSM), which saw the completion of the transfer of NPL credits on 7 December.

As regards the shareholdings held, in addition to the abovementioned 100% shareholding in 739 SG, there are no changes. The Bank holds a minimal stake in the capital of Banca Centrale della Repubblica di San Marino S.p.A. (1%) and a 10% share in the share capital of Tenuta Santa Chiara S.r.l., a "static" real estate company under San Marino law.

Balance sheet ratios include the ratio between net loans and direct deposits equal to 25.36%, the ratio between net non-performing loans and net loans equal to 2.48%, the ratio between shareholders' equity and net loans equal to 36%, the *cost/income* ratio equal to 22.01% and finally the R.O.E. equal to 34.26%.

Year 2023

The Bank's shareholders' equity as at 31/12/2023, including the provision for general financial risks, amounts to €66,801,074.

The Regulatory Capital, as determined on the basis of the provisions of the Supervisory Authority, stands at €52,441,806, up on the figure recorded in 2022 equal to €45,866,214. The Bank has assets suitable for hedging potential risks, showing a *total capital ratio* of 18.91%, well above the required regulatory 11% minimum.

The bank does not hold any treasury shares in its own portfolio.

Among the income statement items that recorded the greatest increases, we point out the interest margin which rose from €16,421,491 in 2022 to €20,434,697 (+24%). Net commissions increased from €3,635,103 in 2022 to €5,357,494 (+47%). The significant increase is also due to the achievement of performance commissions on the managed assets held by customers.

The profit achieved in 2023 is equal to €17,046,073, net of value adjustments made on loans amounting to €3,221,898 and adjustments made on financial fixed assets for €350,000, in addition to other provisions for risks and charges for €987,873.

In relation to the value adjustments made on loans, it should be noted that regulatory measures were adopted by the Supervisory Authority during 2023, relating to the *calendar provisioning* and classification of credit exposures. Specifically, the Regulation envisages:

- *calendar provisioning* measures for future exposures, relating to loans disbursed from 01/07/2023, implementing EU provisions;
- a new taxonomy of credit exposures, harmonized with those in force in Europe;
- new financial statement information note formats, consistent with the new taxonomy;
- provisions for the connection and coordination of supervisory regulations, with particular regard to the current regulations on the Central Credit Risk Register.

Although the new regulation will take effect from 1 January 2024, the Bank deemed it appropriate, in the context of sound and prudent management, to make the write-downs required by the new legislation already in the financial year just ended.

In this regard, still to protect against latent risks in the credit sector, the bank established an additional "non-adjustment credit write-down fund" amounting to €767,938.

During 2023, in response to a dispute with the Rome-based supplier Enterprise, the legal risk fund was increased to €2,000,000. It should be noted that during the first months of the current year, the aforementioned dispute was resolved as part of a mediation procedure.

The provision for general financial risks remained unchanged and amounts to €5,000,000. It should be noted that this fund has the function of covering the generic business risk to which the bank is exposed; being similar to a capital reserve, it represents a positive component of the basic regulatory capital.

The economic result achieved is of great satisfaction and importance, since it was the Bank's all-time high.

INTERNAL CONTROL SYSTEM

The Bank has its own internal control system, defined as a set of rules, procedures and the organizational structure, aimed at ensuring that the activity is based on sound and prudent management and effective risk management,

Year 2023

ensuring compliance with corporate strategies and the achievement of the effectiveness and efficiency of corporate processes, capital protection, reliability and integrity of accounting and management information, compliance of operations with the law, the articles of association, supervisory regulations and the Bank's self-regulation rules.

The control system is structured on three levels:

- line controls (first level), aimed at ensuring the correct performance of operations. They are carried out by the same operating structures (for example hierarchical controls) or incorporated into the procedures, that is performed as part of back-office activities;
- controls on risk management and compliance (second level), which aim to verify compliance with the limits assigned to the various operational functions, to control the compliance of company operations with the rules, including self-regulation. They are assigned to specific functions, in order to guarantee separation between operational and control functions;
- internal auditing (third level), which aims to evaluate the functionality of the overall internal control system and identify anomalous trends and violations of procedures and regulations.

Internal Auditing carries out third level control activities, conducted continuously, periodically or by exception, aimed at identifying anomalous trends and violations of procedures and regulations, as well as assessing the completeness, functionality and adequacy of the internal control system and bringing possible improvements to risk management policies, measurement tools and procedures to the attention of the Board of Directors and the General Management.

The **Risk Manager** is responsible for risk controls, understood as second-level controls aimed at contributing to the definition of risk measurement methodologies, verifying compliance with the limits assigned to the various operating structures, checking the consistency of the operations of the individual production areas with the assigned risk-return objectives. He or she supports the General Management and the Board of Directors in the strategy planning phase, to assess the level of risks present in the activities carried out and the potential risks associated with future choices. He or she monitors the level of risks, reporting any deviations from the limits established by the Board of Directors to the General Management.

The **Compliance Officer** continuously carries out compliance controls, aimed at verifying the conformity of the activity carried out with the provisions in force, including anti-money laundering legislation. He or she assists and trains collaborators, the Management and the Board of Directors in complying with the applicable legal, statutory, supervisory and self-regulation requirements.

The **Anti-Money Laundering Officer** carries out monitoring and control functions to protect against the risk of involvement in money laundering and terrorist financing and interfaces with the Financial Information Agency.

EXPOSURE TO RISKS

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

As for the monitoring and management of risks (credit, market, liquidity, interest rate, exchange rate, counterparty and operational risks), the Risk Committee met periodically to verify the level assumed by the risk indicators defined by the Board of Directors and to define any strategies for recovery in the event that limits were exceeded. If limits were exceeded, the Board of Directors was informed.

The risks identified are:

Credit and counterparty risk

Credit risk is defined as the risk that, in the course of a credit transaction, the debtor may default, even partially, on its obligations to repay principal and/or pay interest to its 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 methods of managing and monitoring this risk are governed by the Credit Regulations. This document defines the Bank's lending policies and describes the guidelines for lending, the organisation of the lending process, the functions involved and the related risks. More specifically, with regard to strategic limits, the document describes their definition, the level allowed, the methods of monitoring and management of any overruns.

In order to reduce the risk of generating problem loans and to analyse predictive signals of insolvency situations, checks are carried out on anomalous trends, with consequent communication to the relevant organisational units aimed at restoring correct operations.

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

Market and exchange rate risk

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

In order to adequately manage and monitor this type of risk, in line with the level of available capital, the Bank has set out the policies for carrying out the financial activities of treasury and securities portfolio management in its Finance 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 the related control methods.

The Risk Management function is responsible for verifying the strategic limits defined in the Regulations and reports its findings to the Risk Committee, also informing the Board of Directors.

Interest rate risk - banking portfolio

The Bank's balance sheet is subject to the risk of fluctuations in interest rates. These fluctuations have an impact on both the profit and loss account and the statement of asset and liabilities, due to the different composition of assets and liabilities in terms of rate (fixed or floating) and *repricing* times.

The Risk Management function monitors this interest rate risk using ALM (Asset Liability Management) models, both in the short term (impact on net interest income) and in the medium/long term (impact on equity), with the objective of measuring the impact of fluctuations in market rates on the Bank's results of operations and economic value.

The results of interest rate risk monitoring, if exceeded, are submitted to the Risk Committee, as well as to the Board of Directors.

Liquidity risk

An adequate level of liquidity is fundamental for the proper functioning of all the Bank's operations in both the short and medium to long term. In order to cope with this risk, it is therefore advisable to have an adequate level of liquid or readily liquid assets in the short term, and to maintain a correct ratio between assets and liabilities falling due in the medium to long term. The level of liquidity is also monitored by the Supervisory Authority, which has been requiring banks to send a specific report for some time.

The Bank has internally defined strategic limits whose management and monitoring is established by the Board of Directors in the Finance Regulations.

The results of liquidity risk monitoring were brought to the attention of the Risk Committee, as well as the Board of Directors, in the event of non-compliance with the established limit.

Operational risk

Operational risk is inherent to the banking business in that it is generated transversally by all business processes; the main sources of operational risk are attributable to possible internal fraud, the failure of information systems, professional obligations to customers or the nature or characteristics of the products offered.

The Bank has defined the organisational responsibilities and powers of both the top management and the business units, with the aim of controlling the risk in question.

RECLASSIFIED STATEMENT OF ASSETS AND LIABILITIES

ASSETS	31/12/2023	Impact	31/12/2022	Impact
Inter-bank loans	101.833.436	11,98%	82.382.033	10,66%
Customer loans	155.364.018	18,27%	146.551.838	18,97%
Debt and capital securities	508.727.537	59,83%	454.211.655	58,79%
Leased assets	30.217.483	3,55%	32.773.007	4,24%
AF INTEREST-BEARING ASSETS	796.142.474	93,64%	715.918.533	92,66%
Cash and cash equivalents	3.689.937	0,43%	6.804.349	0,88%
Holdings	1.272.999	0,15%	1.272.999	0,16%
Other assets	39.944.119	4,70%	37.935.832	4,91%
Accrued revenues and deferred expenses	531.740	0,06%	383.658	0,05%
ANF NON-INTEREST-BEARING ASSETS	45.438.795	5,34%	46.396.838	6,01%
Intangible fixed assets	539.346	0,06%	1.718.480	0,22%
Tangible fixed assets	8.112.079	0,95%	8.561.222	1,11%
AR REAL ASSETS	8.651.425	1,02%	10.279.702	1,33%
TOTAL ASSETS	850.232.694		772.595.073	

LIABILITIES	31/12/2023	Impact	31/12/2022	Impact
Debts with banks	2.327.875	0,27%	1.811.571	0,23%
Debts with customers	607.531.750	71,45%	553.190.467	71,60%
Debts represented by financial instruments	123.180.952	14,49%	119.602.436	15,48%
PO BEARING LIABILITIES	733.040.577	86,22%	674.604.474	87,32%
Other liabilities	43.487.106	5,11%	41.333.215	5,35%
Accrued expenses and deferred revenues	295.161	0,03%	233.519	0,03%
Staff retirement allowances	328.944	0,04%	307.494	0,04%
Risks and costs fund	5.511.894	0,65%	2.942.820	0,38%
Provisions for credit risks	767.938	0,09%	-	-
PNO NON-BEARING LIABILITIES	50.391.043	5,93%	44.817.048	5,80%
Fund for general financial risks	5.000.000	0,59%	5.000.000	0,65%
Corporate capital	21.500.000	2,53%	21.500.000	2,78%
Reserves / Revaluation Reserve	23.255.001	2,74%	18.972.754	2,46%
Profits (Losses) for the financial year	17.046.073	2,00%	7.700.797	1,00%
PAT ASSETS	66.801.074	7,86%	53.173.551	6,88%
TOTAL LIABILITIES	850.232.694		772.595.073	

RECLASSIFIED PROFIT AND LOSS ACCOUNT

PROFIT AND LOSS ACCOUNT		31/12/2023	Var.	31/12/2022
	Interests received and proceeds	27.518.965	53,16%	17.968.025
	Interests paid and costs	(7.084.268)	(358,07%)	(1.546.534)
MI	INTEREST MARGIN	20.434.697	24,44%	16.421.491
	Commissions earned	7.260.674	35,27%	5.367.729
	Commissions paid	(1.903.180)	(9,84%)	(1.732.626)
CN	NET COMMISSIONS	5.357.494	47,38%	3.635.103
	Dividends and other proceeds	89.979	-	-
	Profits (Losses) from financial operations	4.931.440	297,48%	(2.497.160)
MINT	INTERMEDIATION MARGIN	30.813.610	75,48%	17.559.434
	Administrative costs	(6.970.839)	(4,50%)	(6.670.669)
	Value adjustments on intangible fixed assets	(217.962)	13,16%	(251.006)
	Value adjustments on tangible fixed assets	(12.386.140)	(36,97%)	(9.042.703)
	Other operating proceeds/costs	12.792.997	37,06%	9.333.997
CO	OPERATING COSTS	(6.781.944)	(2,29%)	(6.630.381)
RG	GROSS OPERATING PROFIT	24.031.666	119,89%	10.929.053
	Funding of risk provisions	(1.755.811)	-	-
	Value adjustments on credits	(1.901.650)	(209,84%)	(613.759)
	Value adjustments on financial activities	(350.000)	65,68%	(1.019.745)
	Extraordinary proceeds/costs	(38.724)	(323,89%)	17.296
	Changes in the general financial risk fund	-	-	-
RL	PROFIT FOR THE FINANCIAL YEAR	19.985.481	114,60%	9.312.845
	Financial taxes	(2.939.408)	(82,34%)	(1.612.048)
RN	PROFIT FOR THE FINANCIAL YEAR	17.046.073	121,35%	7.700.797

HIGHLIGHTS AND INDICATORS

Key balance sheet figures (in EUR)

	31/12/2023	31/12/2022	31/12/2021	31/12/2020
Total assets	850.232.694	772.595.073	759.053.987	652.479.374
Net lending	185.581.501	179.324.845	167.792.330	160.098.522
Net non-performing loans	5.984.679	8.154.802	7.861.707	9.224.162
Provision for adjustments on doubtful loans	9.846.626	8.022.956	7.772.445	7.273.345
Direct collection	731.874.666	673.510.463	676.587.141	577.186.026
Indirect collection:	803.867.685	570.151.895	511.449.642	451.186.428
- Operated	236.953.938	241.149.165	249.650.112	212.737.792
- Managed	468.905.910	304.063.492	235.722.539	210.237.702
- Custodian Bank	98.007.837	24.939.238	26.076.991	28.210.934
Net equity	66.801.074	53.173.551	48.922.754	43.365.473

Main economic data (in EUR)

	31/12/2023	31/12/2022	31/12/2021	31/12/2020
Interest margin	20.434.697	16.421.491	11.216.097	9.760.653
Intermediation margin	30.813.610	17.559.434	15.560.430	14.928.776
Administrative costs	6.970.839	6.670.669	6.207.898	6.279.404
Personnel costs	4.427.604	4.035.860	3.987.362	4.262.503
Operating costs	6.781.944	6.630.381	6.235.194	6.426.446
Profit for the financial year	17.046.073	7.700.797	8.057.281	5.247.507

Main structural and operational highlights

	31/12/2023	31/12/2022	31/12/2021	31/12/2020
Number of employees	60	59	56	53
Counters	6	6	6	6

Structural ratios (%)

	31/12/2023	var.	31/12/2022	var.	31/12/2021	var.	31/12/2020
Direct collection / Total assets	86,08	(1,10)	87,18	(1,96)	89,14	0,68	88,46
Net lending / Total assets	21,83	(1,38)	23,21	1,11	22,11	(2,43)	24,54
Net lending / Direct collection	25,36	(1,27)	26,63	1,83	24,80	(2,94)	27,74
Managed collection / Indirect collection	29,48	(12,82)	42,30	(6,52)	48,81	1,66	47,15
Operated collection / Indirect collection	58,33	5,00	53,33	7,24	46,09	(0,51)	46,60
Net equity / Total assets	7,86	0,97	6,88	0,44	6,45	(0,20)	6,65
Net equity / Net lending	36,00	6,34	29,65	0,50	29,16	2,07	27,09

Indicators of the quality of credit (%)

	31/12/2023	var.	31/12/2022	var.	31/12/2021	var.	31/12/2020
Net NPLs / Net lending	2,48	0,05	2,43	0,00	2,43	(0,90)	3,33
Net problem loans / Net lending	0,73	(0,01)	0,74	0,12	0,62	(0,01)	0,63
Net doubtful credits / Net lending	3,22	(1,32)	4,55	(0,14)	4,69	(1,07)	5,76
Net NPLs / Net equity	6,89	(1,31)	8,20	(0,14)	8,34	(3,96)	12,30

Profitability ratios (%)

	31/12/2023	var.	31/12/2022	var.	31/12/2021	var.	31/12/2020
Interest margin / Intermediation margin	66,32	(27,20)	93,52	21,44	72,08	6,70	65,38
Interest margin / Interest-bearing assets	2,57	0,27	2,29	0,72	1,58	(0,02)	1,60
Intermediation margin / Interest-bearing assets	3,87	1,42	2,45	0,27	2,19	(0,25)	2,44
Administrative costs / Intermediation margin	22,62	(15,37)	37,99	(1,91)	39,90	(2,16)	42,06
Cost / Income [cost/income]	22,01	(15,75)	37,76	(2,31)	40,07	(2,98)	43,05
Net profit / (Net equity – Net profit) [R.O.E.]	34,26	17,33	16,93	(2,78)	19,72	5,95	13,77
Net profit / Total assets [R.O.A.]	2,00	1,01	1,00	(0,06)	1,06	0,26	0,80

Efficiency ratios (in thousands of EUR)

	31/12/2023	var.	31/12/2022	var.	31/12/2021	var.	31/12/2020
Total deposits per employee	25.596	4.517	21.079	(136)	21.215	1.812	19.403
Net loans per employee	3.093	54	3.039	43	2.996	(25)	3.021
Intermediation margin per employee	514	216	298	20	278	(4)	282
Average personnel costs	74	5	68	(3)	71	(9)	80
Total operating costs per employee	113	1	112	1	111	(10)	121

STATEMENT OF CASH FLOW

	2023	2022
Cash and cash equivalents at the beginning of the financial year	6.804.349	6.808.130
Funds generated and collected	37.258.894	20.645.356
Profit for the financial year	17.046.073	7.700.797
Value adjustments on:	14.855.752	10.927.213
- Tangible and intangible fixed assets	12.604.102	9.293.709
- Financial assets	350.000	1.019.745
- Customer loans	1.901.650	613.759
Provisions for:	5.357.069	2.017.346
- Severance pay	334.157	308.160
- Risks and charges	5.022.912	1.709.186
Increase in funds collected	60.651.636	20.422.686
Debts with banks	516.304	1.074.867
Debts with customers	54.341.283	8.740.588
Debts represented by financial instruments	3.578.516	-
Other liabilities	2.153.891	10.522.297
Accrued expenses and deferred revenues	61.642	84.934
Decrease in funds used	-	120.654.699
Inter-bank loans	-	120.288.023
Accrued revenues and deferred expenses	-	366.676
Total funds generated and collected	97.910.530	161.722.741
Use of funds generated from management operations	6.398.607	4.708.575
Distributed profit	4.400.000	3.450.000
Provisions for:	1.998.607	1.258.575
- Severance pay	312.707	305.692
- Risks and charges	1.685.900	952.883
Increase in funds collected	94.626.335	145.126.779
Inter-bank loans	19.451.403	-
Customer loans	10.713.830	12.965.847
Bonds, shares, quotas and other financial instruments	54.865.882	113.843.300
Holdings in group companies	-	453.651
Tangible and intangible fixed assets	7.438.851	8.639.739
Other assets	2.008.287	9.224.242
Accrued expenses and deferred revenues	148.082	-
Decrease in funds used	-	11.891.168
Debts represented by financial instruments	-	11.891.168
Total funds used and invested	101.024.942	161.726.522

Cash and cash equivalents at the end of the financial year

3.689.937

6.804.349

SUBSEQUENT EVENTS

To date, there have been no events occurring after 31 December 2023 that would make the current balance sheet, financial position and results of operations materially different from those shown in these financial statements or such as to require adjustments or additions to the financial statements.

BUSINESS OUTLOOK

As in previous years, the Bank's activities will continue to be based on the development of volumes and prudent management. The growth trend of establishing relationships with new clients, which was a feature of the whole of 2023, is confirmed.

OTHER INFORMATION

The Company has no branches abroad and does not have own shares.

It is controlled by natural and legal persons, with whom it also has relationships of a financial nature both directly and with other companies in which the same parties hold investments.

The related credit exposures, all performing, issued at market conditions, do not give rise to any type of concern. In this regard, it is believed that any potential conflicts of interest have been appropriately neutralized.

The business model adopted does not provide for specific research and development initiatives, other than the continuous and constant refinement of the corporate culture and the products and services offered in order to adapt them to changing conditions and requirements.

PROPOSAL FOR THE ALLOCATION OF PROFITS

Dear shareholders,

in consideration of the above and of the results achieved, we invite you to approve these draft financial statements as at and for the year ended 31/12/2023, consisting of the financial statements, the explanatory notes to the financial statements and related annexes as well as management report, as presented by the Board of Directors, both in their entirety and in their individual entries. We therefore propose that you allocate the profit of €17.046.073,22 for the year as follows:

- allocation to the Legal Reserve of €3.409.214,64;
- distribution of part of the profit of €10.000.000,00 in proportion to their respective shareholdings;
- allocation of a portion of net profit equal to €850.000,00 to a special optional reserve, available and distributable, "earmarked" exclusively for the benefit of the managing shareholders of BSI S.p.A. in proportion to their respective holdings;
- allocation to the item "Other reserves" of the remainder of the profit equal to €2.786.858,58.

The Assembly is also called upon to resolve on the release of the reserve relating to the tax exemption of reinvested profits pursuant to Law no. 166/2013 art. 63 for an amount of €241.030,26 following partial renunciation of the completion of the investments.

The Chairman of the Board of Directors
Monti Gabriele

Rovereta, on April 12, 2024

In implementation of the provisions of art. 83, paragraph 3, of Law no. 47 of 23 February 2006, as amended by art. 3 (deposit at the registered office) of Delegated Decree no. 19 of 28 January 2019, the undersigned legal representative certifies that these financial statements, with the explanatory notes, as of 22 April 2023 will be deposited at the registered office of Banca Sammarinese di Investimento S.p.A. with the right of shareholders to view them and to obtain a copy from the directors. Therefore, from that date, the period of 20 clear days preceding approval of the financial statements by the shareholders' meeting, as provided for by the aforementioned Article 83 of Law 47/2006 (as amended and supplemented), shall begin.

The Chairman of the Board of Directors
Monti Gabriele

FINANCIAL STATEMENTS

BALANCE SHEET – ASSETS

Assets		31/12/2023	31/12/2022
10	Cash in hand and at central banks and postal authorities	3.689.937	6.804.349
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	Inter-bank loans:	101.833.436	82.382.033
	a) sight credits	49.587.748	46.875.275
	b) other credits	52.245.688	35.506.758
40	Customer loans:	155.364.018	146.551.838
	a) sight credits	16.998.556	17.951.787
	b) other credits	138.365.462	128.600.051
50	Bonds and other debt financial instruments:	495.180.509	441.902.868
	a) issued by public bodies	83.563.311	94.201.700
	b) issued by banks	293.329.852	221.118.716
	c) of financial undertakings other than credit institutions	62.867.846	51.709.525
	d) issued by other bodies	55.419.500	74.872.927
60	Shares, quotas and other capital securities	13.547.028	12.308.787
70	Holdings:	819.348	819.348
	a) financial companies	811.848	811.848
	b) non-financial companies	7.500	7.500
80	Holdings in group businesses:	453.651	453.651
	a) financial companies	453.651	453.651
	b) non-financial companies	-	-
90	Intangible fixed assets:	539.346	1.718.480
	a) leasing	-	-
	of which assets to be leased	-	-
	b) assets resulting from annulled lease contracts	-	-
	of which for breach by tenant	-	-
	c) assets available from credit recovery	-	-
	of which assets available for credit termination through settlement agreement	-	-
	d) goodwill	-	-
	e) start-up costs	-	-
	f) other intangible fixed assets	539.346	1.718.480
100	Tangible fixed assets:	38.329.562	41.334.229
	a) leasing	30.077.462	32.533.653
	of which assets to be leased	150.175	229.931

Financial Statements

Year 2023



b) assets resulting from annulled lease contracts	140.021	239.354
of which for breach by tenant	140.021	239.354
c) assets available from credit recovery	-	1.210.328
of which assets available for credit termination through settlement agreement	-	-
d) lands and buildings	7.337.144	6.499.404
e) other tangible fixed assets	774.935	851.490
110 Subscribed share capital not paid-in	-	-
of which called capital	-	-
120 Own shares and quotas	-	-
130 Other assets	39.944.119	37.935.832
140 Accrued revenues and deferred expenses:	531.740	383.658
a) accrued revenues	173.153	113.815
b) deferred expenses	358.587	269.843
150 Total Assets	850.232.694	772.595.073

BALANCE SHEET - LIABILITIES

Liabilities		31/12/2023	31/12/2022
10	Debts with banks:	2.327.875	1.811.571
	a) sight debts	952.777	875.148
	b) term or notice debts	1.375.098	936.423
20	Debts with customers:	607.531.750	553.190.467
	a) sight debts	453.084.837	459.051.219
	b) term or notice debts	154.446.913	94.139.248
30	Debts represented by financial instruments:	123.180.952	119.602.436
	a) bonds	-	884.129
	b) certificates of deposit	123.180.952	118.718.307
	c) other securities	-	-
40	Other liabilities	43.487.106	41.333.215
	of which outstanding cheques and similar securities	1.161.964	717.560
50	Accrued expenses and deferred revenues:	295.161	233.519
	a) accrued expenses	185.788	134.639
	b) deferred revenues	109.373	98.880
60	Staff retirement allowances	328.944	307.494
70	Risks and costs funds:	5.511.894	2.942.820
	a) retirement and similar costs funds	-	-
	b) tax funds	3.195.409	1.612.048
	c) other funds	2.316.485	1.330.772
80	Provisions for credit risks	767.938	-
90	Fund for general banking risks	5.000.000	5.000.000
100	Subordinated liabilities	-	-
110	Corporate capital	21.500.000	21.500.000
120	Issue premium	-	-
130	Reserves:	21.528.937	18.228.140
	a) ordinary or legal reserve	7.255.630	5.715.471
	b) reserve for own shares or quotas	-	-
	c) statutory reserves	-	-
	d) other reserves	14.273.307	12.512.669
140	Revaluation reserve	1.726.064	744.614
150	Profits (Losses) carried forward	-	-
160	Profits (Losses) for the financial year	17.046.073	7.700.797
170	Total Liabilities	850.232.694	772.595.073

BALANCE SHEET – GUARANTEES AND COMMITMENTS

Items	31/12/2023	31/12/2022
10 Guarantees issued	33.397.587	33.707.317
of which:		
a) acceptances	126.275	270.010
b) other guarantees	33.271.312	33.437.307
20 Commitments	22.056.275	24.970.688
of which:		
a) certain to be called on	4.637.738	6.420.952
of which financial instruments	4.637.738	3.571.603
b) not certain to be called on	673.866	3.178.569
of which financial instruments	-	-
c) other commitments	16.744.671	15.371.167
Total	55.453.862	58.678.005

PROFIT AND LOSS ACCOUNT

Items of profit and loss account	31/12/2023	31/12/2022
10 Interests received and proceeds:	27.518.965	17.968.025
a) on loans to banks	3.657.542	330.351
b) on customer loans	9.970.925	6.409.520
c) on debt securities	13.890.498	11.228.154
20 Interests paid and costs:	(7.084.268)	(1.546.534)
a) on amounts due from banks	(230.931)	(219.666)
b) on debts with customers	(4.486.207)	(594.127)
c) on debts represented by securities	(2.367.130)	(732.741)
of which on subordinated liabilities	-	-
30 Dividends and other proceeds:	89.979	-
a) on shares, quotas and other variable income	89.979	-
b) on holdings	-	-
c) on holdings in group businesses	-	-
40 Commissions earned	7.260.674	5.367.729
50 Commissions paid	(1.903.180)	(1.732.626)
60 Profits (Losses) from financial operations	4.931.440	(2.497.160)
70 Other operating proceeds	12.792.997	9.333.997
80 Other operating costs	-	-
90 Administrative costs:	(6.970.839)	(6.670.669)
a) labour costs	(4.427.604)	(4.035.860)
of which:		
- wages and salaries	(2.907.232)	(2.708.614)
- pension contributions	(948.186)	(795.248)
- retirement allowances	(334.156)	(312.694)
- severance indemnity-related costs	-	-
- administrators and majors	(185.866)	(184.140)
- other personnel expenses	(52.164)	(35.164)
b) other administrative costs	(2.543.235)	(2.634.809)
100 Value adjustments on intangible fixed assets	(217.962)	(251.006)
110 Value adjustments on tangible fixed assets	(12.386.140)	(9.042.703)
120 Provisions for risks and costs	(987.873)	-
130 Provisions to allowances for possible loan losses	(767.938)	-
140 Value adjustments on credits and provisions for guarantees and commitments	(3.221.898)	(1.527.568)
150 Value recoveries on credits and provisions for guarantees and commitments	1.320.248	913.809
160 Value adjustments on financial assets	(350.000)	(1.019.745)
170 Value recoveries on financial assets	-	-
180 Profits (Losses) on ordinary activities	20.024.205	9.295.549
190 Extraordinary proceeds	670.161	186.720
200 Extraordinary costs	(708.885)	(169.424)
210 Extraordinary Profits (Losses)	(38.724)	17.296
220 Income tax for the financial year	(2.939.408)	(1.612.048)
230 Variation to the Fund for general banking risks	-	-
240 Profits (Losses) for the financial year	17.046.073	7.700.797

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

SECTION A - ACCOUNTING PRINCIPLES

The financial statements for the year ended as of 31/12/2023 were prepared in accordance with the provisions:

- by Regulation 2016/02 on the preparation of the financial statements of banks issued by the Central Bank of the Republic of San Marino in fulfilment of the powers conferred pursuant to Law 165/2005;
- by Circular 2017/03 on disclosure requirements for company financial statements;
- by the manual for the compilation and transmission of reports to the supervisory body;
- by Companies' Law.

The financial statements consist of the Balance Sheet, Guarantees and Commitments, the Income Statement and the Explanatory Notes. They are integrated with the Directors' Report on Management.

The financial statements are drawn up in a clear manner and represent in a truthful and correct way the equity and financial situation and the economic result for the year.

The values shown are expressed in euro units and are compared with those of the previous year; in some cases, the values were reclassified for the purposes of data comparability.

The algebraic sum of the differences deriving from the rounding made on the items is included among "other assets/liabilities" for the balance sheet and among "extraordinary income/charges" for the income statement.

The various items of the financial statements match with the company accounts, which are drawn up in compliance with the various administrative events that occurred during the year.

The true and correct representation is made in accordance with the provisions of law; in the event of an exception, the reasons and the relative influence on the representation of the balance sheet and the economic result are explained in the explanatory notes.

In order to improve the level of clarity and truthfulness of the financial statements, the accounts were drawn up favoring, where possible, the representation of substance over form. In order to represent the financial situation in line with the actual financial movements of the bank's balance sheet items, the "above the line" accounts are drawn up by favoring, where possible, the time of settling transactions over that of negotiating.

Income and charges are posted in compliance with the principle of accrual, regardless of the date of collection and payment, and with the principle of prudence. The latter principle is privileged, provided there is no formation of non-explicit reserves.

In order not to reduce the information content of the financial statement data, no offsetting of items was made with a view to implementing the principles of truthfulness and clarity.

The devaluation and amortization of the asset elements are carried out exclusively by directly decreasing the value of these elements.

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

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

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" and entered at their estimated realizable value.

Loans to credit institutions also include 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

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 must be posted under the liability item "amounts due to customers" or "other liabilities", depending on whether these contributions are interest bearing or not.

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

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

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

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

Specifically:

Non-performing loans: represent the full exposure of cash and off-balance sheet 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.

Year 2023

Impaired loans: are loans to borrowers suffering temporary difficulties, which are likely to be overcome in an acceptable period of time. They are valued on an analytical basis. Impaired loans also include, as provided for by Regulation no. 2007/07, 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;
- 1 yearly instalment expired for over 6 months.

If the depreciation plan for the loan envisaged monthly instalments, the number of due and unpaid instalments 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.

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

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

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.

- *Performing loans:* these are written-down on an overall basis, in order to guarantee a hedging from the so called “physiological risk”; the write-down of loans is made with a decrease adjustment of the value booked in the assets.

Bonds and other debt financial instruments

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. Valuations were made pursuant to Regulation no. 2016/02 on the preparation of the financial statements of banks.

Shares, units and other capital financial instruments

The item includes all financial instruments with a nature of trading capital securities (shares and units). It also includes CIUs.

Investment portfolio

The financial instruments of the investment portfolio, including all the financial instruments intended to be held permanently by the bank (until natural expiry, except in exceptional events), listed and unlisted, are valued at purchase cost. They are written down in the event of a lasting deterioration of the issuer’s debt repayment capacity, as well as of the associated Country Risk. These write-downs will be eliminated when the causes that determined them no longer exist. The same valuation criteria indicated above apply to financial instruments, listed and unlisted on organized (regulated) markets, which represent “off balance sheet” transactions connected to the investment portfolio.

Multi-year accrued assets and/or liabilities are recognized according to the result achieved by the difference between the book cost and the nominal repayment value divided by the residual duration of the security.

Trading portfolio

Year 2023

This portfolio includes all financial instruments held as investment but for negotiation purposes to meet treasury and trading needs.

Financial instruments that are part of the trading portfolio, listed or not listed on an organized (regulated) market, are valued at market value. For listed financial instruments, the market value is represented by the listing value. For unlisted financial instruments, the market value is determined on the basis of the value of similar listed and unlisted instruments or, if this is not possible, on the basis of reasonable estimates.

The value of the tradable financial instruments is determined with reference to the value determined on the balance sheet closing date.

The losses and gains originating from the comparison between the market value on 31 December 2023 with the latest book values were entered in the profit and loss account.

Shareholdings

This item includes all rights, whether represented or not by securities, in the capital of other companies which create a lasting relationship with the bank and are valued using the historical cost method. It is determined on the basis of the acquisition or subscription price, adjusted, if necessary, in the presence of losses in value deemed to be permanent. Writedowns made for permanent losses in value are recovered if the reasons that originated them no longer exist.

The Bank did not apply the fair value criterion to shareholdings, in compliance with the option right provided for by art. V.II.3 of the Regulation no. 2016/02 and referred to in point 5.1 of the Circular.

Intangible fixed assets

Intangible fixed assets are entered at the original purchase cost, directly adjusted for the depreciation carried out systematically on the basis of the estimated residual life. The ordinary annual depreciation rate is 20%. As regards intangible assets connected to contracts, the depreciation was calculated on the basis of the duration of the latter.

Tangible fixed assets

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. 166/2013, annex D, art. D9, deemed appropriate and representative of the value corresponding to the residual useful life of the asset. If assets demonstrate an impairment value which is lower than its cost, this is written down. Should the assumptions supporting the original write-down no longer subsist, write-downs made in previous periods are not maintained.

Financial leasing

The amount of assets subject to financial lease is recorded in asset item 90 "Tangible fixed assets". The aforementioned category also includes assets awaiting first lease (purchased by the bank against a leasing contract already entered into with customers) and assets held against terminated contracts, the amount of which is detailed in a specific sub-item, to distinguish the component attributable to the situations of resolution for breach of the tenant. Loans relative to financial lease transactions are calculated according to the financial methodology, as provided for by Law no. 115 of 19/11/2001, and are recorded in the assets for the algebraic balance obtained from the difference between the financed capital or historic cost of the asset and the relative accumulated depreciation fed by the capital share of the fees accrued.

The instalments accrued during the year are entered under item 10 of the profit and loss account "interest income and similar revenues" for the part regarding the interest and under items 70 "Other operating income" and 110 "Value adjustments on tangible fixed assets" for the part regarding the capital, for an equal amount with a neutral effect on the operating result.

Foreign currency assets and liabilities

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 no. 2016/02. The effect of this valuation is booked in the profit and loss account.

"Off-balance" sheet transactions in foreign currency are recognized at the spot exchange rate in effect at year end,

Year 2023

if it is about 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 items 10 and 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 entered into to hedge assets or liabilities are valued in a manner consistent with the assets and liabilities hedged. The differentials are recorded pro-rata temporis in income statement items 10-20 relating to “interest income (liabilities) and similar income (charges)”, consistently with the costs and revenues generated by the hedged items.

The trading derivative contracts directly listed on organized markets, as well as those that take as a reference the parameters listed or that can be found on the information circuits normally used internationally, are valued on the market, meaning as such the price recorded on the last working day of the reference month or, in the absence of this, the last price recorded.

The difference between the current value of assets and liabilities and off-balance sheet transactions and the book value of the same elements and transactions is included in the balance of income statement item 60 “Profits (losses) from financial transactions”.

Amounts due to credit institutions

This item shows all the amounts due to credit institutions whatever their technical form, except for those represented by financial instruments which require to be posted under liability items 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.

The abovementioned items are booked at nominal value.

Amounts due to customers

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 abovementioned items are booked at nominal value.

Payables represented by financial instruments

Payables represented by financial instruments are booked at nominal value.

In addition to bonds and certificates of deposit, this item includes, under the sub-item “other financial instruments”, its traced acceptances and the atypical securities according to article II.III.8 of Regulation 2007/07. Debt financial instruments which are past due but have not yet been repaid upon the reference date are also included.

The “Repurchasing agreements” on securities with customers, which provide for the obligation for the assignee of a spot resale of the securities in the transaction, are shown as “Amounts due to customers b) term or with notice” and are booked at the “spot” value, while the underlying securities are represented in asset item “Bonds and other debt securities”.

Other Assets and Other Liabilities

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.

Year 2023

Accruals and Deferrals

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.

Asset and liability accounts have been adjusted directly, increasing or decreasing them, in the following cases:

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

Reserve for severance indemnities

The item shows the total amount of the severance indemnities allocated to the bank’s employees and which, as required by current legislation, is paid in full every year.

Provisions for risks and charges

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

The provisions for risks and charges include:

- allocations made against taxes to be settled, calculated on the basis of a realistic forecast of the tax charge, in relation to the tax law in force;
- allocations made against any liabilities of which the exact amount or date of occurrence is unknown.

Provision for general financial risks

This item refers to the provision for general financial risks, whose function is to cover the general business risk to which the bank is exposed. Since it is comparable to a capital reserve, it represents a positive component of the basic regulatory capital (see article VII.II.2 of Regulation no. 2007/07 and Regulation no. 2011/03 and art. 40 of Regulation no. 2006/03). The balance of allocations and withdrawals (net change) recorded by the provision during the year is entered, with the relevant algebraic sign, in profit and loss account item 230 “Variation in the provision for general banking risks”. Therefore, the establishment, feeding and use of the provision cannot take place when allocating the operating profit.

Subscribed capital

Corresponds to the product of the number of shares subscribed by shareholders and other contributors and their nominal value.

Reserves and Revaluation Reserves

The equity reserves are shown in the Explanatory Notes in relation to their nature and distribution extent.

Guarantees

This item includes all personal guarantees given by the bank as well as assets assigned as collateral for third party obligations. These guarantees are recorded at the total value of the commitment made to beneficiaries.

Commitments

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.

Guarantees issued and commitments are entered as follows:

- deposit and financing contracts based on the amount to be disbursed;
- irrevocable credit lines based on the residual usable amount;
- other commitments and guarantees based on the value of the contractual commitment entered into by the Bank.

Interest, Commissions, Charges and Income

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

Year 2023

Memorandum accounts

Third-party financial instruments and securities held as collateral and in custody are valued at year-end market prices.

Deferred taxes

By way of applying the accrual principle, borrowing the principles set out by IAS 12 and CIU no. 25, deferred taxes were calculated by recording advanced taxes after having verified the existence of a reasonable certainty of future taxable income.

Section 2 - Adjustments and provisions

No provisions and value adjustments were made in accordance with tax regulations.

SECTION B - INFORMATION ON THE STATEMENTS OF ASSETS AND LIABILITIES - ASSETS

1. Cash and cash equivalents with central banks and postal agencies (item 10 of assets)

Table 1.1

Composition of item 10 "Cash and cash equivalents with central banks and postal agencies"

	31/12/2023	31/12/2022	Variations	
			Amount	%
Cash and cash equivalents with central banks and postal agencies:				
- Banknotes and coins	3.600.328	6.757.054	(3.156.726)	(46,72%)
- Foreign currency	67.357	13.631	53.726	394,15%
- Other values	22.252	33.664	(11.412)	(33,90%)
Total	3.689.937	6.804.349	(3.114.412)	(45,77%)

Item 10, "Cash and cash equivalents at central banks and post offices", includes all banknotes and coins in Euro as well as foreign currency notes held at cash desks and ATMs of the Bank's branches. The item "Other values" includes upcoming bills of exchange sent for collection by counterparties in addition to foreign checks collected from customers awaiting settlement.

2. Treasury securities and other financial instruments eligible for refinancing with central banks (item 20 of assets)

Table 2.1

Composition of item 20 "Treasury securities and other financial instruments eligible for refinancing with central banks"

	31/12/2023	31/12/2022	Variations	
			Amount	%
A) Treasury securities and other similar financial instruments	-	-	-	-
B) Other financial instruments eligible for refinancing with central banks	-	-	-	-
Total	-	-	-	-

Table not valued as data not present.

3. Inter-bank loans (item 30 of assets)

Table 3.1
Composition of item 30 "Inter-bank loans"

	31/12/2023			31/12/2022			Variations	
	Euros	Foreign currency	Total	Euros	Foreign currency	Total	Amount	%
A) Sight credits:	46.204.203	3.383.545	49.587.748	45.272.177	1.603.098	46.875.275	2.712.473	5,79%
A1. Current accounts for performed services	46.204.203	3.383.545	49.587.748	45.272.177	1.603.098	46.875.275	2.712.473	5,79%
A2. Current accounts	-	-	-	-	-	-	-	-
A3. Other	-	-	-	-	-	-	-	-
B) Other credits:	51.199.814	1.045.874	52.245.688	34.445.473	1.061.285	35.506.758	16.738.930	47,14%
B1. Terms deposits	51.199.814	1.045.874	52.245.688	34.445.473	1.061.285	35.506.758	16.738.930	47,14%
B2. Current accounts	-	-	-	-	-	-	-	-
B3. Repos and reverse repos	-	-	-	-	-	-	-	-
B4. Other	-	-	-	-	-	-	-	-
Total	97.404.017	4.429.419	101.833.436	79.717.650	2.664.383	82.382.033	19.451.403	23,61%

Item 30 "Loans to credit institutions" includes all loans to credit institutions, whatever their technical form is, except for loans represented by financial instruments, which are posted under asset item 50. These loans are shown in the financial statements at their presumed realizable value.

The item "A) Sight" includes all current accounts and demand deposits held with other San Marino and foreign credit institutions both in Euro and in foreign currency with the distinction of those opened for services rendered.

Item "B) Other receivables" includes the time deposit with the Central Bank regarding the Compulsory Reserve and the Guarantee Fund for Transmission, as well as deposits with Mastercard Europe and Visa Europe in order to guarantee the operation of payment cards on the circuits.

Year 2023

Table 3.2
Composition of cash credits to banks

	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:	-	-	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-	-	-
A1. Non-performing loans	-	-	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-	-	-
A2. Substandard loans	-	-	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-	-	-
A3. Restructured loans	-	-	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-	-	-
A4. Expired / overdue loans	-	-	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-	-	-
A5. Unsecured loans to countries at risk	-	-	-	-	-	-	-	-
B) Performing loans	101.833.436	-	101.833.436		82.382.033	-	82.382.033	
of which deriving from financial leasing transactions	-	-	-		-	-	-	
Total	101.833.436	-	101.833.436		82.382.033	-	82.382.033	

The credits shown under “Performing loans” are considered collectable and therefore no further adjustments have been made.

Table 3.3
Changes in doubtful loans to banks

	Non-performing loans	Substandard loans	Restructured loans	Past due / overrun loans	Unsecured loans to countries at risk
A) Opening gross exposure	-	-	-	-	-
of which for past-due interests	-	-	-	-	-
B) Increases	-	-	-	-	-
B1. Inflow from loans	-	-	-	-	-
B2. Inflow from other categories of doubtful loans	-	-	-	-	-
B3. Past-due interests	-	-	-	-	-
B4. Other increases	-	-	-	-	-
C) Decreases:	-	-	-	-	-
C1. Outflow to loans	-	-	-	-	-
C2. Outflow to other categories of doubtful loans	-	-	-	-	-
C3. Write-offs	-	-	-	-	-
C4. Collections	-	-	-	-	-
C5. Arising from sales	-	-	-	-	-
C6. Other decreases	-	-	-	-	-
D) Closing gross exposure at 31/12/2023	-	-	-	-	-
of which for past-due interests	-	-	-	-	-

Table not valued as data not present.

Table 3.4
Changes in total value adjustments on “Inter-bank loans”

	Non-performing loans	Substandard loans	Restructured loans	Past due / overrun loans	Unsecured loans to countries at risk	Performing loans
A) Opening total adjustments	-	-	-	-	-	-
B) Increases:	-	-	-	-	-	-
B1. Value adjustments	-	-	-	-	-	-
of which for past-due interests	-	-	-	-	-	-
B2. Utilization of Funds for possible loan losses	-	-	-	-	-	-
B3. Transfers from other categories of loans	-	-	-	-	-	-
B4. Other increases	-	-	-	-	-	-
C) Decreases:	-	-	-	-	-	-
C1. Value recoveries from valuation	-	-	-	-	-	-
of which for past-due interests	-	-	-	-	-	-
C2. Value recoveries from collection	-	-	-	-	-	-
of which for past-due interests	-	-	-	-	-	-
C3. Write-offs	-	-	-	-	-	-
C4. Transfers from other categories of loans	-	-	-	-	-	-
C5. Other decreases	-	-	-	-	-	-
D) Closing total adjustments at 31/12/2023	-	-	-	-	-	-
of which for past-due interests	-	-	-	-	-	-

Table not valued as data not present.

Table 3.5
Composition of “Inter-bank loans” according to residual life

	31/12/2023	31/12/2022
Sight	49.587.748	46.875.275
Up to 3 months	25.856.411	10.034.980
From 3 months to 6 months	-	-
From 6 months to 1 year	-	-
From 1 year to 18 months	-	-
From 18 months to 2 years	-	-
From 2 years to 5 years	-	-
More than 5 years	-	-
No term	26.389.277	25.471.778
Total	101.833.436	82.382.033

The residual life corresponds to the time interval between the balance sheet date and the contractual maturity date of each transaction.

The maturity “Up to 3 months” includes the amounts of two term deposits opened with Central Bank while the item “Unallocated maturity” includes:

- the term deposits in the field of the Compulsory Reserve and the Guarantee Fund for Transmission in the amount of €25.114.610 and €119.522, respectively;
- the security deposits with Mastercard Europe and Visa Europe in the amount of €1.145.145;
- the security deposit with BFF Bank for the transmission of the INPS Pensions service for €10.000.

Year 2023

4. Customer loans (item 40 of assets)

Table 4.1
Composition of Item 40 "Customer loans"

	31/12/2023			31/12/2022			Variations	
	Euros	Foreign currency	Total	Euros	Foreign currency	Total	Amount	%
A) Sight / Non-revolving loans:	16.998.356	200	16.998.556	17.951.516	271	17.951.787	(953.231)	(5,31%)
A1. Current accounts	8.324.767	200	8.324.967	9.422.579	271	9.422.850	(1.097.883)	(11,65%)
A2. Other	8.673.589	-	8.673.589	8.528.937	-	8.528.937	144.652	1,70%
B) Other loans:	136.747.282	1.618.180	138.365.462	127.387.912	1.212.139	128.600.051	9.765.411	7,59%
B1. Current accounts	3.202.753	-	3.202.753	2.441.206	-	2.441.206	761.547	31,20%
B2. Discounted portfolio and subject to collection	13.916.199	-	13.916.199	14.902.695	-	14.902.695	(986.496)	(6,62%)
B3. Repos and reverse repos	-	-	-	-	-	-	-	-
B4. Other loans	119.628.330	1.618.180	121.246.510	110.044.011	1.212.139	111.256.150	9.990.360	8,98%
Total	153.745.638	1.618.380	155.364.018	145.339.428	1.212.410	146.551.838	8.812.180	6,01%

Item 40, "Loans to customers" represents all the loans deriving from financing contracts entered into with customers, regardless of their technical form, and recorded in the financial statements at their presumed realizable value.

Items A1. and B1. (Current accounts assets) include the sum of debit balances of current accounts as well as interest in the form of current accounts according to the due date of the loan.

Items "A2. Others", "B2. Discounted portfolio and subject to collection" and "B4. Other loans" include loans deriving from import/export financing transactions, open positions for portfolio advances subject to collection, loans with amortization plans and grants, the expense related to the use of credit cards issued by us, as well as non-performing loans.

The information required under the provisions of article V.II.2 paragraph 5 of Regulation 2016/02 is provided below with reference to the amounts of advances and loans granted to members of administrative, management or supervisory bodies, as well as commitments undertaken on their behalf as a result of guarantees provided of any kind and detailed as follows (exposure gross of value adjustments):

	31/12/2023	31/12/2022
Board of Directors	15.911	37.598
Control Body	8	284
Management Board	2.323	810
Total	18.242	38.692

Table 4.2
Secured customer loans

	31/12/2023	31/12/2022	Variations Amount	%
A) From mortgages	79.421.352	67.718.085	11.703.267	17,28%
B) From pledges on:	35.929.904	38.900.167	(2.970.263)	(7,64%)
B1. Cash deposits	2.688.153	3.969.720	(1.281.567)	(32,28%)
B2. Securities	3.196.611	2.576.154	620.457	24,08%
B3. Other valuables	30.045.140	32.354.293	(2.309.153)	(7,14%)
C) From guarantees by:	30.329.966	32.885.723	(2.555.757)	(7,77%)
C1. Public administrations	3.441.143	5.225.193	(1.784.050)	(34,14%)
C2. Monetary financial institutions	57.204	62.920	(5.716)	(9,08%)
C3. Investment funds other than money market funds	-	-	-	-
C4. Other financial companies	-	-	-	-
C5. Insurance companies	-	-	-	-
C6. Pension funds	-	-	-	-
C7. Non-financial companies	3.600.061	4.660.881	(1.060.820)	(22,76%)
C8. Households and non-profit institutions serving households:	23.231.558	22.936.729	294.829	1,29%
C8.1 Consumer and producer families	23.231.558	22.936.729	294.829	1,29%
C8.2 Non-profit institutions serving households	-	-	-	-
C9. Other	-	-	-	-
Total	145.681.222	139.503.975	6.177.247	4,43%

The table shows the total amount of “Customer loans” that are assisted, in whole or in part, by real and personal guarantees. If a credit is partially guaranteed, only the amount of loans guaranteed has been shown.

Table 4.3
Composition of cash credits to customers

	31/12/2023				31/12/2022			
	Gross exposure	Overall total adjustments	Net exposure	Overall partial cancellations	Gross exposure	Overall total adjustments	Net exposure	Overall partial cancellations
A) Doubtful loans:	15.110.446	9.125.767	5.984.679	546.041	15.476.727	7.321.925	8.154.802	546.041
of which from financial leases	2.212.623	1.383.725	828.898	-	895.113	451.515	443.598	-
A1. Non-performing loans	11.436.806	6.836.367	4.600.439	546.041	11.283.203	6.923.281	4.359.922	546.041
of which from financial leases	718.971	490.111	228.860	-	778.604	439.917	338.687	-
A2. Substandard loans	3.636.950	2.287.644	1.349.306	-	1.544.629	216.269	1.328.360	-
of which from financial leases	1.493.652	893.614	600.038	-	116.509	11.598	104.911	-
A3. Restructured loans	-	-	-	-	2.618.263	180.876	2.437.387	-
of which from financial leases	-	-	-	-	-	-	-	-
A4. Past due / overrun loans	34.944	1.747	33.197	-	29.904	1.495	28.409	-
of which from financial leases	-	-	-	-	-	-	-	-
A5. Unsecured loans to countries at risk	1.746	9	1.737	-	728	4	724	-
B) Performing loans	180.317.681	720.859	179.596.822		171.871.074	701.031	171.170.043	
of which from financial leases	29.734.171	138.893	29.595.278		32.631.183	151.871	32.479.312	
Total	195.428.127	9.846.626	185.581.501		187.347.801	8.022.956	179.324.845	

The table shows the situation of cash loans for each credit category as established by art. I.I.2 of Regulation no. 2007-07. The table also includes loans deriving from financial leasing transactions; therefore, the final net exposure coincides with the sum of asset items 40 "Loans to customers", 90 "Intangible assets" and 100 "Tangible assets". Value adjustments for physiological risks on performing loans amount to approximately 0.4% of them.

Year 2023

Table 4.4
Changes in doubtful loans to customers

	Non-performing loans	Substandard loans	Restructured loans	Past due / overrun loans	Unsecured loans to countries at risk
A) Opening gross exposure	11.283.203	1.544.629	2.618.263	29.904	728
of which for past-due interests	679.244	19.276	65.233	35	-
B) Increases	788.360	3.547.273	3.488.245	271.220	69.859
B1. Inflow from performing loans	319.833	1.642.332	-	21.135	-
B2. Inputs from other categories of doubtful loans	336.026	1.023.527	-	-	-
B3. Past-due interests	105.476	36.841	-	1.026	-
B4. Other increases	27.025	844.573	3.488.245	249.059	69.859
C) Decreases:	634.757	1.454.952	6.106.508	266.180	68.841
C1. Outflow to loans	-	-	1.580.671	5.279	-
C2. Outputs to other categories of doubtful loans	-	336.026	1.022.120	1.407	-
C3. Write-offs	92.285	-	-	73	-
C4. Collections	542.472	846.723	3.503.717	255.570	68.841
C5. Arising from sales	-	-	-	-	-
C6. Other decreases	-	272.203	-	3.851	-
D) Closing gross exposure at 31/12/2023	11.436.806	3.636.950	-	34.944	1.746
of which for past-due interests	762.467	98.284	-	233	-

This table provides a representation of the up and down changes that occurred during the financial year in the amount of gross exposures of doubtful loans (including finance lease receivables).

The Institute has revised in full all amounts receivable in an analytical way, providing for their reclassification taking into account the risk involved.

Year 2023

Table 4.5
Changes in total value adjustments on customer loans

	Non-performing loans	Substandard loans	Restructured loans	Past due / overrun loans	Unsecured loans to countries at risk	Performing loans
A) Opening total adjustments	6.923.281	216.269	180.876	1.495	4	701.031
B) Increases:	1.008.589	2.158.845	-	1.782	11	288.834
B1. Value adjustments	962.494	2.050.951	-	1.629	8	206.816
of which for past-due interests	99.645	-	-	-	-	-
B2. Utilization of funds for possible loans	-	-	-	-	-	-
B3. Transfers from other categories of loans	46.095	107.894	-	153	3	82.018
B4. Other increases	-	-	-	-	-	-
C) Decreases:	1.095.503	87.470	180.876	1.530	6	269.006
C1. Value recoveries	863.776	42.213	-	316	6	260.117
of which for past-due interests	-	-	-	-	-	-
C2. Value recoveries from collection	139.442	-	-	-	-	-
of which for past-due interests	14.427	-	-	-	-	-
C3. Write-offs	92.285	-	-	73	-	-
C4. Transfers to other categories of loans	-	45.257	180.876	1.141	-	8.889
C5. Other decreases	-	-	-	-	-	-
D) Closing total adjustments at 31/12/2023	6.836.367	2.287.644	-	1.747	9	720.859
of which for past-due interests	762.467	-	-	-	-	-

This table shows the changes that occurred during the year in the amount of the total value adjustments on cash.

Table 4.6
Composition of “Customer loans” according to residual life

	31/12/2023	31/12/2022
Sight	12.701.903	15.053.388
Up to 3 months	27.905.982	23.836.008
From 3 months to 6 months	7.982.755	8.530.350
From 6 months to 1 year	11.311.913	10.389.168
From 1 year to 18 months	8.090.186	8.735.241
From 18 months to 2 years	8.199.564	8.729.703
From 2 years to 5 years	32.978.465	33.327.672
More than 5 years	71.537.858	65.349.560
No term	4.872.875	5.373.755
Total	185.581.501	179.324.845

The term “residual life” means the time interval between the date of the financial statements and the contractual maturity of each transaction. In particular, for transactions with repayment plans, reference was made to the remaining duration of a single instalment. The item “Maturity not posted” includes the amount of non-performing loans, including loans under financial leasing, as well as loans for which an appropriate time allocation has not been identified.

Table 4.7

Composition of “Loans to customers” (net values) by economic activity sector

	31/12/2023	31/12/2022
A) Public administrations	1.421.675	2.124.313
B) Financial undertakings other than credit institutions	1.401	109.075
B1. Monetary financial institutions (other than credit institutions)	-	-
B2. Investment funds other than money market funds	-	-
B3. Other financial companies	1.401	109.075
B4. Insurance companies	-	-
B5. Pension funds	-	-
C) Non-financial companies:	110.439.118	102.778.810
of which persons deleted from the Register of Authorized Entities	-	-
C1. Industry	57.075.148	55.983.228
C2. Building	1.960.967	2.112.958
C3. Services	48.351.215	42.914.174
C4. Other non-financial companies	3.051.788	1.768.450
D) Households and non-profit institutions serving households:	73.719.307	74.312.647
D1. Consumer families	73.617.284	74.184.588
D2. Non-profit institutions serving households	102.023	128.059
E) Other	-	-
Total	185.581.501	179.324.845

This table shows the distribution of loans to customers and receivables from finance leases in relation to the economic sector to which the customers belong.

5. Bonds and other debt securities and shares, quotas and other capital securities (items 50 – 60 of assets)

Table 5.1
Composition of investment and trading securities

	Investment	Trading
Bonds and other debt securities:	351.584.243	143.596.266
A) issued by public bodies	81.285.574	2.277.737
B) issued by banks	188.154.892	105.174.960
C) issued by financial institutions other than credit institutions	36.533.709	26.334.137
D) issued by other bodies	45.610.068	9.809.432
Shares, quotas and other capital securities:	-	13.547.028
- Fondo Scudo Odisseo	-	11.503.294
- UCI	-	2.043.734
Total	351.584.243	157.143.294
of which unavailable for repurchase agreements with retrocession obligation	64.175.734	20.843.524

The securities in the own portfolio are mainly bonds, issued by sovereign states, banks and private companies belonging to zone A.

The trading portfolio is made up of securities intended for negotiation and/or kept for cash requirements. The investment portfolio, as required by law, is valued at the purchase or transfer value from another portfolio, while the trading portfolio is valued at market value.

As regards the securities for which it was not possible to find a quotation (0,89% of the total portfolio), the Bank made an estimate of the value on the basis of the evaluation criteria of the financial instruments envisaged by internal regulations.

It should be noted that, following the preparation of the financial statements, the received update of the annual report of the Odisseo fund as at 31/12/2023 reported a NAV value (€94,265.026) other than what was communicated at the time and used for the preparation of the financial statements (€94,289.293). Since the error in the calculation of the value is lower than what provided for in Regulation no. 2006/03, SG did not publish the new NAV. The change in the book value of the Odisseo Fund is to be considered irrelevant as it is limited to a total of €2,961.

Table 5.2
Composition of “investment securities”

	31/12/2023			31/12/2022		
	Book Value	Market Value	Fair value	Book Value	Market Value	Fair value
1. Debt securities:	347.340.779	351.584.243	332.672.636	355.564.604	358.047.184	324.518.101
1.1 Bonds:	347.340.779	351.584.243	332.672.636	355.564.604	358.047.184	324.518.101
- Listed	316.843.578	320.750.102	303.830.418	327.037.594	329.122.627	298.336.107
- Unlisted	30.497.201	30.834.141	28.842.218	28.527.010	28.924.557	26.181.994
1.2 Other debt financial instruments:	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Unlisted	-	-	-	-	-	-
2. Capital securities:	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Unlisted	-	-	-	-	-	-
Total	347.340.779	351.584.243	332.672.636	355.564.604	358.047.184	324.518.101

Investment securities are made up of bonds issued by sovereign states and banks for about 87%, while the remaining part is made up of bonds issued by private companies.

The financial instruments in the investment portfolio were valued at amortized cost and this valuation was also used in cases where the market value at the end of the year was lower than the amortized cost as these differences were generated by normal fluctuations in the financial markets.

Table 5.3
Annual variations to investment securities

	31/12/2023	31/12/2022
Opening balance	358.047.184	235.070.306
Increases:	67.909.344	174.472.066
1. Purchases	65.137.749	70.402.783
of which debt securities	65.137.749	70.402.783
2. Value recoveries	-	-
3. Transfers from trading portfolio	-	100.406.434
4. Other variations	2.771.595	3.662.849
Decreases:	74.372.285	51.495.188
1. Sales	3.192.766	-
of which debt securities	3.192.766	-
2. Redemptions	69.270.458	47.638.389
3. Value adjustments	-	1.019.745
of which lasting devaluations	-	1.019.745
4. Transfers to trading portfolio	-	1.892.769
5. Other variations	1.909.061	944.285
Closing balance	351.584.243	358.047.184

During the year, the Institute accepted the exchange offer of the government bond of the Republic of San Marino present in the investment portfolio: the operation resulted in the sale of the financial instrument with maturity in 2024 and the purchase of the new issue expiring in 2027, the economic impact of which was negative for €15,793.

Table 5.4
Composition of “trading securities”

	31/12/2023	31/12/2022
	Fair value	Fair value
1. Debt financial instruments:	143.596.266	83.855.684
1.1 Bonds:	143.596.266	83.855.684
- Listed	126.806.458	49.794.553
- Unlisted	16.789.808	34.061.131
1.2 Other debt securities:	-	-
- Listed	-	-
- Unlisted	-	-
2. Capital securities:	13.547.028	12.308.787
- Listed	-	-
- Unlisted	13.547.028	12.308.787
Total	157.143.294	96.164.471

The “fair value” was determined based on the market value recorded on the last business day of the year and defined as already indicated in the Explanatory Notes in Part A Section 1.

Table 5.5
Annual variations to “trading securities”

	31/12/2023	31/12/2022
Opening balance	96.164.471	106.317.794
Increases:	361.546.464	225.756.393
1. Purchases	354.516.360	222.979.200
of which debt securities	353.651.702	220.934.837
of which capital securities	864.658	2.044.363
2. Write backs and revaluations	3.969.100	193.457
3. Transfers from investment portfolio	-	1.892.769
4. Other variations	3.061.004	690.967
Decreases:	300.567.641	235.909.716
1. Sales and redemptions	299.982.579	131.861.613
of which debt financial instruments	299.090.697	131.669.518
of which capital securities	891.882	192.095
2. Value adjustments and devaluations	487.047	2.628.902
3. Transfers to investment portfolio	-	100.406.434
4. Other variations	98.015	1.012.767
Closing balance	157.143.294	96.164.471

The valuation of trading securities is carried out based on the market value as at 31/12/2023. The effect of this method is represented in the item 1 “Writebacks and revaluations” and 2 “Value adjustments and writedowns” shown in the table.

6. Holdings (items 70 - 80 of assets)

Table 6.1
Holdings and Holdings in group companies

Legal form / Denominations / Headquarters	Activity performed	Share capital	Net equity	Profit / Loss	Share %	Book Value (b)	Fair value	Net equity share (a)	Comparison (a-b)
A) Companies of the banking group									
1. S.P.A. / 739 Società di Gestione / Piazza Marino Tini, 2 (San Marino)	Other financial companies	500.000	334.901	(418.564)	100,00%	453.651		334.901	(118.750)
B) Other subsidiaries									
No investment									
C) Other investee companies									
1. S.P.A. / Banca Centrale della Repubblica di San Marino / Via del Voltone, 120 (San Marino)	Bank	12.911.425	56.581.942	-	1,00%	811.848		565.819	(246.029)
2. S.R.L. / Tenuta Santa Chiara / Strada di Paderna, 2 (San Marino)	Services	75.000	74.310	(689)	10,00%	7.500		7.431	(69)

No writedown of the equity investments held was made because the delta between the historical cost and the corresponding portion of the net equity is not to be considered a permanent loss of value. For each investee company, the information obtained from the last approved financial statements (year 2022) is available.

Table 6.2
Composition of item 70 "Holdings"

	31/12/2023			31/12/2022		
	Purchase price	Book value	Fair value	Purchase price	Book value	Fair value
In banks:	811.848	811.848		811.848	811.848	
- Listed	-	-		-	-	
- Unlisted	811.848	811.848		811.848	811.848	
In other financial companies:	-	-		-	-	
- Listed	-	-		-	-	
- Unlisted	-	-		-	-	
Other:	7.500	7.500		7.500	7.500	
- Listed	-	-		-	-	
- Unlisted	7.500	7.500		7.500	7.500	
Total	819.348	819.348		819.348	819.348	

Year 2023

Table 6.3
Composition of item 80 "Holdings in group companies"

	31/12/2023			31/12/2022		
	Purchase price	Book value	Fair value	Purchase price	Book value	Fair value
In banks:	-	-		-	-	
- Listed	-	-		-	-	
- Unlisted	-	-		-	-	
In other financial companies:	453.651	453.651		453.651	453.651	
- Listed	-	-		-	-	
- Unlisted	453.651	453.651		453.651	453.651	
Other:	-	-		-	-	
- Listed	-	-		-	-	
- Unlisted	-	-		-	-	
Total	453.651	453.651		453.651	453.651	

Table 6.4
Annual changes of item 70 "Holdings"

	31/12/2023
A) Opening balance	819.348
B) Increases:	-
B1. Purchases	-
B2. Write backs	-
B3. Revaluations	-
B4. Other changes	-
C) Decreases:	-
C1. Sales	-
C2. Value adjustments	-
of which permanent write-downs	-
C3. Other changes	-
D) Closing balance	819.348
E) Total revaluations	-
F) Total adjustments	-

Table 6.5
Annual changes of item 80 "Holdings in group companies"

	31/12/2023
A) Opening balance	453.651
B) Increases:	350.000
B1. Purchases	-
B2. Write backs	-
B3. Revaluations	-
B4. Other changes	350.000
C) Decreases:	350.000
C1. Sales	-
C2. Value adjustments	350.000
of which permanent write-downs	-
C3. Other changes	-
D) Closing balance	453.651

The item includes the contribution to the subsidiary 739 S.G. of funds to cover losses relating to the 2022/2023 financial statements and simultaneous devaluation of the same by the same amount with attribution of the value adjustment to the Income Statement under item 160.

Table 6.6
Assets and liabilities to holdings (item 70)

	31/12/2023
Assets:	92.961.616
- Loans to banks	92.305.049
of which subordinates	-
of which to related undertakings	-
of which subordinates	-
- Loans to other financial companies	-
of which subordinates	-
of which to related undertakings	-
of which subordinates	-
- Loans to other companies	656.567
of which subordinates	-
of which to related undertakings	-
of which subordinates	-
- Bonds and other debt financial instruments	-
of which subordinates	-
of which to related undertakings	-
of which subordinates	-
Liabilities:	270.810
- Debts to banks	269.075
of which to related undertakings	-
- Debts to other companies	1.735
of which to related undertakings	-
- Debts represented by financial instruments	-
of which to related undertakings	-
- Subordinated liabilities	-
of which to related undertakings	-
Guarantees and commitments:	-
- Guarantees given	-
- Commitments	-

The breakdown of the assets and liabilities by investee company is shown below:

CENTRAL BANK OF THE REPUBLIC OF SAN MARINO

- “Loans to credit institutions”: correspondent current accounts and term deposits;
- “Amounts due to credit institutions”: free deposit for crediting the POS settlement of the Tax Collection Department.

TENUTA SANTA CHIARA

- “Loans to other companies”: receivables relating to a real estate leasing contract and to shareholder financing;
- “Amounts due to other companies”: current account relationship.

Table 6.7

Assets and liabilities to holdings in group companies (item 80)

	31/12/2023
Assets:	6.290
- Loans to banks	-
of which subordinates	-
- Loans to other financial companies	6.290
of which subordinates	-
- Loans to other companies	-
of which subordinates	-
- Bonds and other debt financial instruments	-
of which subordinates	-
Liabilities:	314.315
- Debts to banks	-
- Debts to other companies	314.315
- Debts represented by financial instruments	-
- Subordinated liabilities	-
Guarantees and commitments:	-
- Guarantees given	-
- Commitments	-

The item "Amounts due to other companies" includes the balances of current account relationships held with the investee company 739 S.G. while the item "Loans to other financial companies" includes loans deriving from services provided by the subsidiary.

7. Intangible fixed assets (item 90 of assets)

Table 7.1
Description and changes of item 90 "Intangible fixed assets"

	31/12/2023	Leased assets	of which assets to be leased	Assets resulting from annulled lease contracts	of which for breach by tenant	Assets available from credit recovery	of which assets available for credit termination through settlement agreement	Start-up costs	Establishment costs	Other intangible fixed assets
A) Opening balance	1.718.480	-	-	-	-	-	-	-	-	1.718.480
B) Increases:	193.828	-	-	-	-	-	-	-	-	193.828
B1. Purchases	193.528	-	-	-	-	-	-	-	-	193.528
B2. Value recoveries	-	-	-	-	-	-	-	-	-	-
of which for credit rating	-	-	-	-	-	-	-	-	-	-
B3. Revaluations	-	-	-	-	-	-	-	-	-	-
B4. Other variations	300	-	-	-	-	-	-	-	-	300
C) Decreases	1.372.962	-	-	-	-	-	-	-	-	1.372.962
C1. Sales	-	-	-	-	-	-	-	-	-	-
C2. Value adjustments	217.962	-	-	-	-	-	-	-	-	217.962
of which depreciations	217.962	-	-	-	-	-	-	-	-	217.962
of which lasting devaluations	-	-	-	-	-	-	-	-	-	-
of which for credit rating	-	-	-	-	-	-	-	-	-	-
C3. Other variations	1.155.000	-	-	-	-	-	-	-	-	1.155.000
D) Closing balance	539.346	-	-	-	-	-	-	-	-	539.346

This table shows the changes in intangible fixed assets entered in the balance sheet at their purchase cost net of constant portions of direct depreciation.

The item "C3. Other changes" includes the release of the values recorded in the financial statements as at 31/12/2022 relating to the project for the introduction of a new corporate information system which was not completed with the supplier Enterprise SpA currently in litigation. The amount was included under item 130 "Other assets" of the balance sheet pending definition.

Table 7.2
Description of item 90 "Intangible fixed assets"

	31/12/2023			31/12/2022		
	Purchase price / Production cost	Book value	Fair value	Purchase price / Production cost	Book value	Fair value
A) Financial lease	-	-		-	-	
of which assets to be leased	-	-		-	-	
B) Assets resulting from annulled lease contracts	-	-		-	-	
of which for breach by tenant	-	-		-	-	
C) Assets available from credit recovery	-	-		-	-	
of which assets available for credit termination through settlement agreement	-	-		-	-	
D) Goodwill	-	-		-	-	
E) Start-up costs	-	-		-	-	
F) Other intangible fixed assets	1.276.275	539.346		2.524.441	1.718.480	
Total	1.276.275	539.346		2.524.441	1.718.480	

The purchase price corresponds to the cost incurred for the acquisition of intangible assets that are still being amortized.

8. Tangible fixed assets (item 100 of assets)

Table 8.1
Description and changes of item 100 "Tangible fixed assets"

	31/12/2023	Financial lease	of which assets to be leased	Assets resulting from annulled lease contracts	of which for breach by tenant	Assets available from credit recovery	of which assets available for credit termination through settlement agreement	Lands and buildings	Other tangible fixed assets
A) Opening balance	41.334.229	32.533.653	229.931	239.354	239.354	1.210.328	-	6.499.404	851.490
B) Increases:	15.798.144	14.588.569	2.189.025	31.733	31.733	-	-	1.035.409	142.433
B1. Purchases	12.510.672	12.368.239	-	-	-	-	-	-	142.433
B2. Value recoveries	401	401	401	-	-	-	-	-	-
of which for credit rating	401	401	401	-	-	-	-	-	-
B3. Revaluations	1.033.105	-	-	-	-	-	-	1.033.105	-
B4. Other variations	2.253.966	2.219.929	2.188.624	31.733	31.733	-	-	2.304	-
C) Decreases:	18.802.811	17.044.760	2.268.781	131.066	131.066	1.210.328	-	197.669	218.988
C1. Sales	2.986.413	1.723.989	-	52.096	52.096	1.210.328	-	-	-
C2. Value adjustments	13.252.834	12.757.207	-	78.970	78.970	-	-	197.669	218.988
of which depreciations	12.386.140	11.969.483	-	-	-	-	-	197.669	218.988
of which lasting devaluations	-	-	-	-	-	-	-	-	-
of which for credit rating	866.694	787.724	-	78.970	78.970	-	-	-	-
C3. Other variations	2.563.564	2.563.564	2.268.781	-	-	-	-	-	-
D) Closing balance	38.329.562	30.077.462	150.175	140.021	140.021	-	-	7.337.144	774.935

The table shows the changes in tangible fixed assets entered in the balance sheet at their purchase cost net of the related depreciation fund.

The item "Finance leases" includes leasing contracts recorded in accordance with Law 155 of 19/11/2001. It provides for the allocation of the cost on the basis of the financial amortisation method.

The item "Other fixed assets" includes furniture, fittings, machinery, equipment and motor vehicles.

Especially regarding the item "Assets available from debt collection", a commercial property, acquired at the time for credit reasons, was relocated to customers through the granting of financial leasing during the 2023 financial year. This operation led to the recognition of an overall capital loss of €110,328 released to the Income Statement under item 200.

Law no. 171/2022 (art. 16) allowed economic operators to carry out the revaluation of instrumental goods registered in the register of depreciable assets as at 31/12/2022. The Institute, following the resolution of the Board of Directors of 25/01/2023 and based on a suitable sworn appraisal by a professional registered in the San Marino register or association, has carried out the revaluation of owned buildings (item B3. Revaluations) and simultaneously set aside the active balances corresponding to item 140 "Revaluation reserve" of the Balance Sheet Liabilities, a reserve to be used exclusively to cover future losses or to increase the share capital (table 19.6).

Year 2023

Table 8.2
Description of item 100 "Intangible fixed assets"

	31/12/2023			31/12/2022		
	Purchase price / Production cost	Book value	Fair value	Purchase price / Production cost	Book value	Fair value
A) Financial lease	83.850.253	30.077.462		78.110.308	32.533.653	
of which assets to be leased	3.219.133	150.175		3.687.350	229.931	
B) Assets resulting from annulled lease contracts	401.734	140.021		422.096	239.354	
of which for breach by tenant	401.734	140.021		422.096	239.354	
C) Assets available from credit recovery	-	-		1.210.328	1.210.328	
of which assets available for credit termination through settlement agreement	-	-		-	-	
D) Lands and buildings	8.479.719	7.337.144		7.444.311	6.499.404	
E) Other tangible fixed assets	3.121.501	774.935		2.979.068	851.490	
Total	95.853.207	38.329.562		90.166.111	41.334.229	

The purchase price corresponds to the cost incurred for the acquisition of each tangible fixed asset, still held in the bank's asset archive and increased by any accessory charges.

Table 8.3
Assets available from credit recovery

	31/12/2023		31/12/2022	
	Book Value	Fair value	Book Value	Fair value
A) Assets available from credit recovery deriving from financial lease contracts:	-		1.210.328	
A1. Real estate	-		1.210.328	
of which for residential use	-		-	
of which for non-residential use	-		1.210.328	
A2. Movable assets	-		-	
of which vehicles	-		-	
of which aircraft	-		-	
of which other	-		-	
B) Assets available from credit recovery deriving from financial lease contracts:	-		-	
B1. Real estate	-		-	
of which for residential use	-		-	
of which for non-residential use	-		-	
B2. Movable assets	-		-	
of which vehicles	-		-	
of which aircraft	-		-	
of which other	-		-	
Total	-		1.210.328	

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

	Total at 31/12/2023	of which leasing to credit institutions	of which leasing to customers
Leasing – Total	30.424.175	-	30.424.175
A) of which for rents overdue	206.692	-	206.692
B) of which residual capital credit:	30.217.483	-	30.217.483
B1. Intangible fixed assets	-	-	-
- Financial lease	-	-	-
- Assets resulting from annulled lease contracts	-	-	-
B2. Tangible fixed assets	30.217.483	-	30.217.483
- Financial lease	30.077.462	-	30.077.462
- Assets resulting from annulled lease contracts	140.021	-	140.021

9. Subscribed capital not paid in (item 110 of assets)

Table 9.1
Composition of item 110 "Subscribed capital not paid in"

	31/12/2023	31/12/2022	Variations	
			Amount	%
Subscribed capital not paid in	-	-	-	-
of which called capital	-	-	-	-

Table not valued as data not present.

10. Transactions on own shares (item 120 of assets)

Table 10.1
Composition of social shares

	Number of shares	% on capital	Nominal value	Negotiation amount
Values at 31/12/2022	-	-	-	-
Purchases	-	-	-	-
Sales	-	-	-	-
Value at 31/12/2023	-	-	-	-
				Utile/perdita
Negotiation profit/loss on own shares				-

Table not valued as data not present.

11. Other assets (item 130 of assets)

Table 11.1
Composition of item 130 “Other assets”

	31/12/2023	31/12/2022
Maintenance margins	-	-
Premiums paid for options	-	-
Other	39.944.119	37.935.832
of which other Debtors:	37.348.694	35.228.983
- Effects from SBF customers	16.779.542	16.889.969
- Effects received from correspondent banks	5.828.285	5.340.684
- Illiquid effects	5.012.810	4.322.389
- Effects after collection from customers	4.787.503	4.809.953
- IGR advances and withholding of the Tax Office	2.044.958	1.411.960
- Transitional accounts and items to be settled	1.344.896	2.080.628
- Suppliers in litigation	1.155.000	-
- Loans to investee companies	395.700	373.400
of which Deferred tax assets	-	-
of which Other related accounting items:	60.915	60.915
- Foreign securities tax credit	60.915	60.915
of which Other:	2.534.510	2.645.934
- Tax Credit Legislative Decree no. 72/2013	1.319.700	1.397.330
- Security deposit	820.150	820.150
- Forward transactions	-	33.294
- Other items	394.660	395.160
Total	39.944.119	37.935.832

The item “Other - Tax Credit Legislative Decree no. 72/2013” includes the tax credit recognized by the Tax Office of the Republic of San Marino with Letter prot. no. 18216/2022/DG dated 21/02/2022 resulting from the Final Report of the Supervisory Committee pursuant to art. 7 of Law no. 223/2020. It should be noted that this tax credit derives from the loss recognized on the basis of the valuation at the certified NAV as at 31/12/2020 of Scudo Odisseo, a fund recognized in the financial statements following the block acquisition of assets and liabilities of Banca Nazionale Sammarinese (former Banca CIS). The Bank may use this credit to the extent of 5% of the final credit for each fiscal year. During 2023, the Banks used this credit to offset General Income Tax (IGR) withholdings of € 77.629.

In consideration of the contractual commitment undertaken by BNS and with the aim of sterilizing the economic impact deriving from the recording of capital losses deriving from the reduction of the NAV of the Odisseo Fund, San Marino banks communicated to former BNS S.p.A. Asset Management Company, through ABS, the booking of a credit towards such company for an amount corresponding to the capital losses recorded on the Fund. As at

31/12/2023, receivables due from this company amount to €393.466 and are included in the table under item “Other items”.

The item “Security deposits” includes a security deposit of €750,000 for any penalties, as part of a proceeding in the preliminary phase pending before the Correctionnel Court of Marseilles, as well as a security deposit opened with the company SIAPay S.r.l. for the accounting settlement of postal payment slips collected by Poste San Marino S.p.A. The sub-item “Suppliers in litigation” includes what was previously illustrated at the bottom of table 7.1, an item entirely covered against all risks through a provision to the “Legal disputes fund” under item 70 of Liabilities.

12. Accrued revenues and deferred expenses (item 140 of assets)

Table 12.1

Composition of item 140 "Accrued revenues and deferred expenses"

	31/12/2023	31/12/2022
Accrued revenues:	173.153	113.815
- Commissions/Fees on acquiring transactions	125.795	93.525
- Interest on derivatives	33.716	18.986
- Consumer credit practices	12.266	-
- Rental income	1.150	560
- Other items	226	744
Deferred expenses:	358.587	269.843
- Network fees	116.582	24.487
- Insurance premiums	113.607	115.580
- Commissions/Fees on issuing/acquiring transactions	70.833	71.288
- Consumables	27.039	-
- Rental expenses	20.982	22.631
- Service benefits	7.967	34.623
- Other items	1.577	1.234
Total	531.740	383.658

With particular reference to this item, it should be noted that the Bank directly increased or decreased, where possible, the asset accounts to which accruals and prepayments refer as required by art. IV.I.14 of CBSM Regulation no. 2016/02.

SECTION C – INFORMATION ON THE STATEMENTS OF ASSETS AND LIABILITIES - LIABILITIES

13. Debts with banks (item 10 of liabilities)

Table 13.1
Description of item 10 “Debts with banks”

	31/12/2023			31/12/2022		
	Euros	Foreign currency	Total	Euros	Foreign currency	Total
A) Sight debts:	952.777	-	952.777	875.148	-	875.148
A1. Reciprocal accounts opened for services rendered	683.702	-	683.702	734.321	-	734.321
A2. Demand deposits	269.075	-	269.075	140.827	-	140.827
A3. Other	-	-	-	-	-	-
B) Term or notice debts:	-	1.375.098	1.375.098	-	936.423	936.423
B1. Bank overdrafts	-	-	-	-	-	-
B2. Term deposits	-	1.375.098	1.375.098	-	936.423	936.423
B3. Repos and reverse repos	-	-	-	-	-	-
B4. Other loans	-	-	-	-	-	-
Total	952.777	1.375.098	2.327.875	875.148	936.423	1.811.571

The table shows the debts that the Bank has towards San Marino and foreign banks.
The item “B2. Term deposits” includes term loans in currencies other than the Euro granted by credit institutions.

Table 13.2
Composition of “Debts with banks” according to residual life

	31/12/2023	31/12/2022
Sight	952.777	875.148
Up to 3 months	-	936.423
From 3 months to 6 months	1.375.098	-
From 6 months to 1 year	-	-
From 1 year to 18 months	-	-
From 18 months to 2 years	-	-
From 2 years to 5 years	-	-
More than 5 years	-	-
No term	-	-
Total	2.327.875	1.811.571

It should be noted that “residual life” means the time interval between the balance sheet date and the contractual maturity date of each transaction.

14. Debts with customers (item 20 of liabilities)

Table 14.1
Description of item 20 “Debts with customers”

	31/12/2023			31/12/2022		
	Euros	Foreign currency	Total	Euros	Foreign currency	Total
A) Sight:	449.097.681	3.987.156	453.084.837	452.926.429	6.124.790	459.051.219
A1. Overdrawn current accounts	447.339.855	3.987.156	451.327.011	451.131.965	6.124.790	457.256.755
A2. Sight savings deposits	434.939	-	434.939	533.772	-	533.772
A3. Other	1.322.887	-	1.322.887	1.260.692	-	1.260.692
B) Term or notice debts:	152.870.408	1.576.505	154.446.913	94.139.248	-	94.139.248
B1. Term overdrawn current accounts	-	-	-	-	-	-
B2. Time saving deposits	-	-	-	-	-	-
B3. Repos and reverse repos	81.869.825	-	81.869.825	82.635.037	-	82.635.037
B4. Other funds	71.000.583	1.576.505	72.577.088	11.504.211	-	11.504.211
Total	601.968.089	5.563.661	607.531.750	547.065.677	6.124.790	553.190.467

All amounts due to customers, regardless of their technical form, are posted in this table, except for those represented by financial instruments which must be included in liability item 30.

Item “A) At sight” includes the credit balances of current accounts, savings deposits as well as the cash on prepaid cards issued by the Bank.

Item “B) Term or with notice” shows balances relating to repurchase agreements and term deposits.

Table 14.2
Composition of “Debts with customers” according to residual life

	31/12/2023	31/12/2022
Sight	453.087.273	459.051.219
Up to 3 months	54.199.679	30.200.064
From 3 months to 6 months	72.841.805	60.136.363
From 6 months to 1 year	26.724.486	3.802.821
From 1 year to 18 months	325.402	-
From 18 months to 2 years	170.393	-
From 2 years to 5 years	182.712	-
More than 5 years	-	-
No term	-	-
Total	607.531.750	553.190.467

15. Debts represented by financial instruments (item 30 of liabilities)

Table 15.1
Composition of debts represented by financial instruments

	31/12/2023			31/12/2022		
	Euros	Foreign currency	Total	Euros	Foreign currency	Total
Bonds	-	-	-	884.129	-	884.129
of which held by credit institutions	-	-	-	-	-	-
Certificates of deposit	123.180.952	-	123.180.952	118.718.307	-	118.718.307
of which held by credit institutions	-	-	-	-	-	-
Other financial instruments	-	-	-	-	-	-
of which acceptances traded	-	-	-	-	-	-
of which outstanding bills	-	-	-	-	-	-
of which atypical securities	-	-	-	-	-	-
Total	123.180.952	-	123.180.952	119.602.436	-	119.602.436

On 04/03/2023 the Institute proceeded to repay the bond loan called “BSI MISTO 04/03/2024” in advance, as required by its issuing regulation.

16. Other liabilities (item: 40 of liabilities)

Table 16.1
Composition of item 40 "Other liabilities"

	31/12/2023	31/12/2022
Maintenance margins	-	-
Premiums received for options	-	-
Cheques in circulation and similar securities	1.161.964	717.560
Other	42.325.142	40.615.655
of which other Creditors:	2.534.131	2.610.746
- Supplier invoices to be received	752.266	702.321
- Payables to suppliers	714.112	892.182
- Sums in favour of third parties	582.160	678.260
- Employees salary account	269.842	251.263
- Payables to I.S.S.	211.396	82.992
- Payables to F.S.S.	3.344	2.805
- Payables to Trade Union Centres	1.011	923
of which Other:	39.791.011	38.004.909
- Transferor of SBF effects	25.450.895	25.386.835
- Transferors of after-collection effects	10.201.772	10.198.150
- Transitional accounts and items to be settled	2.620.866	1.049.545
- Due to Tax Office	1.517.478	1.342.096
- Term transactions	-	28.283
Total	43.487.106	41.333.215

Table 16.2
Payables for electronic money

	31/12/2023	31/12/2022
For nominative instruments:	-	-
- of which rechargeable	-	-
- of which not rechargeable	-	-
For anonymous tools	-	-
Total	-	-

Year 2023

The table is not filled in as the Institute places its cards directly and therefore the payables for e-money are classified under item 20 of liabilities "Due to customers".

17. Accrued expenses and deferred revenues (item 50 of liabilities)

Table 17.1

Composition of item 50 "Accrued expenses and deferred revenues"

	31/12/2023	31/12/2022
Accrued expenses:	185.788	134.639
- Employee supplementary remuneration	178.669	127.399
- Derivative contracts	6.966	6.951
- Other items	153	289
Deferred revenues:	109.373	98.880
- Fees on endorsement loans	45.656	49.250
- Safe deposit box fees	25.960	29.180
- Active rents	20.000	-
- Interests on consumer credit practices	11.918	12.585
- Foreign documentary credit commissions	5.839	7.865
Total	295.161	233.519

It should be noted that the Bank directly increased or decreased the liability accounts to which the accruals and deferrals refer as provided for by art. IV.I.14 of CBSM Regulation no. 2016/02.

18. Funds (items 60 - 70 - 80 of liabilities)

Table 18.1
Changes of item 60 “Staff retirement allowances”

	31/12/2023	31/12/2022
Opening balance	307.494	305.026
Increases:	334.157	308.160
- Provisions	334.157	308.160
- Other variations	-	-
Decreases:	312.707	305.692
- Uses	312.707	305.692
- Other variations	-	-
Closing balance	328.944	307.494

As required by current legislation, the severance allowance is paid annually to the employees of the Bank. Therefore, the current balance coincides with the portion relating to the current year to be settled by 2024.

Table 18.2
Composition of item 70 “Risks and costs funds”

	31/12/2023	31/12/2022
Retirement and similar costs fund	-	-
Taxes and fees funds	3.195.409	1.612.048
Other funds:	2.316.485	1.330.772
- Provision for legal disputes	2.000.000	962.127
- Fund for paid and unused leave	272.754	273.109
- Provisions for payment card dispute risks	43.731	45.536
- Provision for customer disputes	-	50.000
Total	5.511.894	2.942.820

Below are details of the “Other funds” in place at the end of the financial year:

- the “Legal disputes fund” was established to cover the risks and legal charges associated with the case pending before the Court of Marseille, currently in the preliminary investigation phase, and with the ongoing dispute with the supplier Enterprise SpA;
- the “Unused holiday fund” is valued on the basis of the remaining holiday hours at the end of the financial year not used by employees;
- the “Provision for risks on payment card disputes” was created to cover any risks connected to complaints and/or disputes by customers regarding the operation of payment instruments.

Year 2023

No further liabilities are currently expected.

Table 18.3
Changes of "Taxes and fees reserves"

	31/12/2023	31/12/2022
Opening balance	1.612.048	914.644
Increases:	3.195.409	1.612.048
- Provisions	2.939.408	1.612.048
- Other variations	256.001	-
Decreases:	1.612.048	914.644
- Uses	1.612.048	914.644
- Other variations	-	-
Closing balance	3.195.409	1.612.048

During 2020, the Institute had requested tax breaks for the tax relief of invested profits following the investments to be made for the introduction of a new information system with the supplier Enterprise, as well as the purchase of new hardware equipment. Subsequently, problems arose related to the provision of the new program, and this forced the Bank to inform the Economic Activities Office that it was renouncing this investment. Having said this, the Institute re-proposed the IGR declaration relating to the year 2020, in which the amounts covered by the procedures had been reduced, and recorded the tax to be paid as an adjustment for €256,001 under the item "Extraordinary charges" of the Income Statement, increasing the "Provision for taxes and duties".

Table 18.4
Changes of sub-item c) "Other provisions"

	31/12/2023	31/12/2022
Opening balance	1.330.772	1.271.873
Increases:	1.109.565	97.138
- Provisions	1.059.565	97.138
- Other variations	50.000	-
Decreases:	123.852	38.239
- Uses	73.852	38.239
- Other variations	50.000	-
Closing balance	2.316.485	1.330.772

The table highlights the movements that occurred during the year relating to the funds included in the item "Other funds" and in particular:

- under the item "Other changes" the change in the destination of the "Customer dispute fund" merged into the "Legal disputes fund", of the same nature, for €50,000;
- provision to the "Legal disputes fund" for €987,873 to cover the risk relating to the dispute with the supplier Enterprise SpA by provisioning item 120 "Provisions for risks and charges" of the Income Statement (table 28.2);
- provisions and uses of the "Unused holiday fund" for €71,692 and €72,047 respectively;
- use of the "Provision for risks on payment card disputes" for €1,805.

Table 18.5
Changes of item 80 "Funds for possible loan losses"

	31/12/2023	31/12/2022
Opening balance	-	-
Increases:	767.938	-
- Provisions	767.938	-
- Other variations	-	-
Decreases:	-	-
- Uses	-	-
- Other variations	-	-
Closing balance	767.938	-

Following the resolutions of the Board of Directors, the Institute, through a provision made under item 130 of the Income Statement amounting to €767,938, prudentially established a non-adjusting credit risk fund for the Assets items in order to deal with any credit risks. This fund was created following the recent entry into force of Circular no. 2023/01 regarding minimum coverage of impaired credit exposures and the new taxonomy of credit exposures.

19. Fund for general financial risks, Subordinated liabilities, Corporate capital, Issue premium, Reserves, Revaluation reserve, Profits (losses) carried forward and Profit (loss) for the financial year (items 90 - 100 - 110 - 120 - 130 - 140 - 150 - 160 of liabilities)

Table 19.1
Composition of item 90 "Fund for general financial risks"

	31/12/2023	31/12/2022	Variations	
			Amount	%
Opening balance	5.000.000	5.000.000	-	-
Contributions in the year	-	-	-	-
Uses in the year	-	-	-	-
Closing balance	5.000.000	5.000.000	-	-

Table 19.2
Composition of item 100 "Subordinated liabilities"

	31/12/2023	31/12/2022	Variations	
			Amount	%
Subordinated liabilities	-	-	-	-
of which held by credit institutions	-	-	-	-
of which hybrid capitalization instruments	-	-	-	-

Table not valued as data not present.

Table 19.3
Composition of item 110 "Corporate capital"

	31/12/2023			31/12/2022			Variations	
	Number of shares	Nominal value	Total value	Number of shares	Nominal value	Total value	Amount	%
Ordinary	21.500	1.000	21.500.000	21.500	1.000	21.500.000	-	-
Total	21.500	1.000	21.500.000	21.500	1.000	21.500.000	-	-

Year 2023

Table 19.4
Composition of item 120 "Issue premiums"

	31/12/2023	31/12/2022	Variations Amount	%
Issue premiums	-	-	-	-

Table not valued as data not present.

Table 19.5
Composition of item 130 "Reserves"

	31/12/2023	31/12/2022	Variations Amount	%
A) Ordinary or legal reserve	7.255.630	5.715.471	1.540.159	26,95%
B) Reserve for own shares or quotas	-	-	-	-
C) Statutory reserves	-	-	-	-
D) Other reserves	14.273.307	12.512.669	1.760.638	14,07%
Total	21.528.937	18.228.140	3.300.797	18,11%

Item "A) Ordinary or legal reserve" represents the compulsory allocation required by the CBSM Regulation 2007-07. The item "D) Other reserves" contains:

- the distributable reserves available to the Shareholders' Meeting for €10.122.447;
- the restricted reserve relating to the detaxation of reinvested profits pursuant to Law no. 166/2013 art. 63 equal to €1.321.527;
- the reserve established on the basis of the provisions of the CBSM letter prot. no. 20/13417 of 22/12/2020 for the exclusive purpose of increasing the share capital equal to €2.444.333;
- the not-yet distributed registered reserve in favor of employee manager shareholders equal to €385.000.

Table 19.6
Composition of item 140 "Revaluation reserve"

	31/12/2023	31/12/2022	Variations Amount	%
Revaluation reserve	1.726.064	744.614	981.450	131,81%

At the end of the financial year, the "Revaluation reserve" was made up as follows:

- revaluation of the property used as the registered and operational headquarters of the Institute, located in Via Monaldo da Falciano n. 3, Falciano (San Marino), and registered in the reserve net of the 5% substitute tax as required by art. 22 of Law no. 113/2020 for €744,614 (Board of Directors resolution of 09/09/2020);
- revaluation of the property used as the registered and operational headquarters of the Institute, located in Via Monaldo da Falciano n. 3, Falciano (San Marino), and registered in the reserve net of the 5% substitute tax as required by art. 16 of Law no. 171/2022 for €568,108 (Board of Directors resolution of 25/01/2023);
- revaluation of the property located in Piazza Marino Tini n. 2, Dogana (San Marino), registered in the reserve net of

Year 2023

the 5% substitute tax as required by art. 16 of Law no. 171/2022 for €413,342 (Board of Directors resolution of 25/01/2023).

The sworn appraisal by the San Marino professional, together with the related resolution, are reported at the bottom of this supplementary note.

As already highlighted at the bottom of table 8.1, this reserve is to be used exclusively to cover future losses or to increase the share capital.

Table 19.7
Composition of item 150 "Profits (losses) carried forward"

	31/12/2023	31/12/2022	Variations Amount	%
Profits (Losses) for the financial year	-	-	-	-

Table not valued as data not present.

Table 19.8
Composition of item 160 "Profits (losses) for the financial year"

	31/12/2023	31/12/2022	Variations Amount	%
Profits (Losses) for the financial year	17.046.073	7.700.797	9.345.276	121,35%

Table 19.9
Variation to the net equity in the last 4 years

	31/12/2023	31/12/2022	31/12/2021	31/12/2020
Corporate capital	21.500.000	21.500.000	21.500.000	21.500.000
Uncalled capital	-	-	-	-
Issue premiums	-	-	-	-
Ordinary or legal reserve	7.255.630	5.715.471	4.104.015	3.054.513
Other reserves	14.273.307	12.512.669	9.516.844	7.818.839
Operating result	17.046.073	7.700.797	8.057.281	5.247.507
Profits (Losses) carried forward	-	-	-	-
Fund for general financial risks	5.000.000	5.000.000	5.000.000	5.000.000
Revaluation reserve	1.726.064	744.614	744.614	744.614
Total	66.801.074	53.173.551	48.922.754	43.365.473

Table 19.10
Composition of Savings Collection by business sector

	31/12/2023	31/12/2022
A) Public administrations	127.312.592	92.143.053
B) Financial companies other than credit institutions:	31.779.855	21.642.528
B1. Monetary financial institutions (other than credit institutions)	-	-
B2. Investment funds other than money market funds	27.574.615	12.584.815
B3. Other financial companies	4.107.126	8.993.918
B4. Insurance companies	98.114	63.795
B5. Pension funds	-	-
C) Non-financial companies:	144.293.817	143.154.075
of which persons deleted from the Register of Authorized Entities	1.030.013	1.872.721
C1. Industry	46.651.485	50.226.164
C2. Building	3.822.342	3.246.581
C3. Services	91.653.517	86.105.405
C4. Other non-financial companies	2.166.473	3.575.925
D) Households and non-profit institutions serving households	428.488.402	416.570.807
D1. Consumer families	414.408.763	408.737.752
D2. Non-profit institutions serving households	14.079.639	7.833.055
E) Other	-	-
Total	731.874.666	673.510.463

SECTION D – INFORMATION ON THE STATEMENTS OF ASSETS AND LIABILITIES – GUARANTEES AND COMMITMENTS

20. Guarantees and commitments

Table 20.1
Composition of “guarantees issued”

	31/12/2023	31/12/2022	Variations	
			Amount	%
A) Endorsement credits of a trade nature	8.103.640	8.508.554	(404.914)	(4,76%)
B) Endorsement credits of a financial nature	2.709.505	2.759.938	(50.433)	(1,83%)
C) Assets set up as collateral:	22.584.442	22.438.825	145.617	0,65%
- of third party bonds	124.000	294.000	(170.000)	(57,82%)
- of own bonds	22.460.442	22.144.825	315.617	1,43%
Total	33.397.587	33.707.317	(309.730)	(0,92%)

Item “C) Assets pledged as collateral for third-party obligations” includes mortgage guarantees given on behalf of third parties in relation to restructured loans and leased assets.

Item “C) Assets pledged as collateral for own bonds” includes guarantees given to

- BFF Bank (€1.622.280) for the use of transmission services for the payment system;
- Cassa Centrale Banca (€16.159.982) and Banca Popolare di Sondrio (€4.678.180) for foreign operations.

These guarantees can be issued both in the form of financial instruments and liquidity and the nature of their composition is explained in table “20.5 Assets pledged as collateral for own debts”. They are lent not against a debt already incurred but against the possibility that the debt may emerge.

Table 20.2
Composition of the abovementioned unsecured loans

	31/12/2023	31/12/2022	Variations Amount	%
A) Credit commitments of a trade nature:	8.103.640	8.508.554	(404.914)	(4,76%)
A1. Acceptances	126.275	270.010	(143.735)	(53,23%)
A2. Guarantees and endorsements	5.847.958	5.624.550	223.408	3,97%
A3. Strong comfort letter	-	-	-	-
A4. Other	2.129.407	2.613.994	(484.587)	(18,54%)
B) Credit commitments of a financial nature:	2.709.505	2.759.938	(50.433)	(1,83%)
B1. Acceptances	-	-	-	-
B2. Guarantees and endorsements	2.709.505	2.759.938	(50.433)	(1,83%)
B3. Strong comfort letter	-	-	-	-
B4. Other	-	-	-	-
Total	10.813.145	11.268.492	(455.347)	(4,04%)

Table 20.3
Situation of unsecured loans to credit institutions

	31/12/2023			31/12/2022		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A) Doubtful loans	-	-	-	-	-	-
of which non-performing loans	-	-	-	-	-	-
of which substandard loans	-	-	-	-	-	-
of which restructured loans	-	-	-	-	-	-
of which expired / overdue loans	-	-	-	-	-	-
of which unsecured loans to countries at risk	-	-	-	-	-	-
B) Performing loans	-	-	-	-	-	-
Total	-	-	-	-	-	-

Table not valued as data not present.

Year 2023

Table 20.4
Situation of unsecured loans to customers

	31/12/2023			31/12/2022		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A) Doubtful loans	-	-	-	-	-	-
of which non-performing loans	-	-	-	-	-	-
of which substandard loans	-	-	-	-	-	-
of which restructured loans	-	-	-	-	-	-
of which expired / overdue loans	-	-	-	-	-	-
of which unsecured loans to countries at risk	-	-	-	-	-	-
B) Performing loans	10.813.145	-	10.813.145	11.268.492	-	11.268.492
Total	10.813.145	-	10.813.145	11.268.492	-	11.268.492

Table 20.5
Loan guarantees to assume the debts

Liabilities	Amounts of collateral assets
Payables to banks	22.460.442

The assets pledged as collateral for own bonds already described in table 20.1 are valued in this table at market value and are represented by financial instruments entered under item 50 of Assets "Bonds and other debt financial instruments". These securities are deposited as security with the counterparties.

Table 20.6
Margin loans on credit lines

	31/12/2023	31/12/2022
A) Central Banks	-	-
B) Other banks	-	-
C) Other financial companies	-	-
Total	-	-

Table not valued as data not present.

Table 20.7
Composition of “spot commitments”

	31/12/2023	31/12/2022	Variations Amount	%
A) Commitments to grant finance certain to be called on	-	-	-	-
of which commitments for financing to be granted	-	-	-	-
B) Commitments to exchange financial instruments certain to be called on	-	-	-	-
C) Commitments to grant finance not certain to be called on	673.866	3.178.569	(2.504.703)	(78,80%)
of which passive margins usable on credit lines	673.866	3.178.569	(2.504.703)	(78,80%)
of which put option issued	-	-	-	-
D) Commitments to exchange financial instruments not certain to be called on	-	-	-	-
E) Other commitments	-	-	-	-
Total	673.866	3.178.569	(2.504.703)	(78,80%)

The item “C) Commitments to grant finance not certain to be called on” includes the available margins that can be used on credit lines granted by the Bank to customers.

Table 20.8
Forward commitments

	Coverage	Negotiation	Other transactions
1. Trades	-	4.637.738	-
1.1 Financial instruments	-	4.637.738	-
- purchases	-	2.315.466	-
- sales	-	2.322.272	-
1.2 Currencies	-	-	-
- currency against currency	-	-	-
- purchases against EUR	-	-	-
- sales against EUR	-	-	-
2. Deposits and loans	-	-	-
- to be given	-	-	-
- to be received	-	-	-
3. Derivative contracts	16.744.671	-	-
3.1 With exchange of capital	-	-	-
a) Securities	-	-	-
- purchases	-	-	-
- sales	-	-	-
b) Currencies	-	-	-
- currency against currency	-	-	-
- purchases against EUR	-	-	-
- sales against EUR	-	-	-
c) Other values	-	-	-
- purchases	-	-	-
- sales	-	-	-
3.2 Without exchange of capital	16.744.671	-	-
a) Currencies	-	-	-
- currency against currency	-	-	-
- purchases against EUR	-	-	-
- sales against EUR	-	-	-
b) Other values	16.744.671	-	-
- purchases	16.744.671	-	-
- sales	-	-	-

The item "1. Trades" shows all the off-balance sheet transactions in place at the end of the year relating to forward purchase contracts not yet settled. The contracts providing for the exchange of two currencies were indicated referring only to the currency to be purchased.

Year 2023

Table 20.9
Derivatives

Operation category	Coverage	Negotiation	Other transactions
1. Derivative contracts:	1.124.831	-	-
1.1 With exchange of capital:	-	-	-
a) Securities	-	-	-
- purchases	-	-	-
- sales	-	-	-
b) Currencies	-	-	-
- currency against currency	-	-	-
- purchases against EUR	-	-	-
- sales against EUR	-	-	-
c) Other values	-	-	-
- purchases	-	-	-
- sales	-	-	-
1.2 Without exchange of capital:	1.124.831	-	-
a) Currencies	-	-	-
- currency against currency	-	-	-
- purchases against EUR	-	-	-
- sales against EUR	-	-	-
b) Other values	1.124.831	-	-
- purchases	1.124.831	-	-
- sales	-	-	-

Financial derivative contracts refer exclusively to the hedging of interest rate risk on fixed-rate assets and are shown in this table at their market value according to the method indicated in art. I.I.2 point 44 of Regulation 2016/02.

Table 20.10
Credit derivatives

Operation category	Coverage	Negotiation	Other transactions
1. Protection purchases:	-	-	-
1.1 With exchange of capital	-	-	-
1.2 Without exchange of capital	-	-	-
2. Protection sales:	-	-	-
2.1 With exchange of capital	-	-	-
2.2 Without exchange of capital	-	-	-

Table not valued as data not present.

SECTION E - INFORMATION ABOUT THE STATEMENT OF ASSETS AND LIABILITIES – MEMORANDUM ACCOUNTS

21. Memorandum accounts

Table 21.1
Memorandum accounts

	31/12/2023	31/12/2022
1. Asset management:	270.165.497	286.883.751
a) Customer asset management	270.165.497	286.883.751
of which cash	33.211.559	45.734.586
of which cash deposited at the reporting institution	33.211.559	45.734.586
of which debt securities	166.974.925	221.874.481
of which debt securities issued by the reporting institution	-	-
of which debt securities issued by other San Marino credit institutions	-	-
of which capital securities and OIC shares	69.979.013	19.274.684
of which capital securities issued by the reporting institution	-	-
b) Portfolios managed by third parties	-	-
2. Custody and administration of financial instruments:	945.164.091	714.773.816
a) Deposited third parties securities	468.905.910	304.942.492
of which debt securities issued by the reporting institution	-	879.000
of which debt securities issued by other San Marino credit institutions	-	285.000
of which capital securities issued by the reporting institution	46.173.931	43.009.890
of which third-party financial instruments deposited with third parties	339.841.366	234.535.326
b) Owned securities deposit with third parties	476.258.181	409.831.324
3. Financial instruments, liquid assets and other assets related to custodian bank activity:	126.505.764	57.606.881
a) Cash	32.705.859	12.584.815
of which cash deposited by the reporting institution	27.574.615	12.584.815
b) Debt securities	92.876.593	24.939.238
of which debt securities issued by the reporting institution	-	-
of which debt securities issued by other San Marino credit institutions	-	-
c) Capital securities, OIC shares, other financial instruments	-	-
of which capital securities issued by the reporting institution	-	-
d) Assets other than financial instruments and cash	923.312	20.082.828

Year 2023

The decrease in item “1. Asset management” is to be attributed to the start of the disinvestment activities of the assets managed by BSI in favor of the subscription by customers of units of the open funds issued and managed by the subsidiary 739 S.G.

The item “2. a) Third-party financial instruments on deposit - of which capital securities and other securities issued by the reporting entity” includes the dematerialized shares of the Bank present in the managed dossiers of the shareholders and valued on the basis of the provisions of CBSM Prot. 22/2350. Therefore, the market value is determined as a fraction of the net worth.

The item “3. Financial instruments, liquidity and other values connected to the custodian bank activity” includes the activities connected to the investment funds managed by the subsidiary 739 S.G. of which our Institute is the custodian bank. The difference found in item 3.d “Assets other than financial instruments and liquidity” mainly derives from the asset disposal activity as part of the system securitization operations previously illustrated in the report on operations.

Table 21.2
Mediation for third parties: execution of orders

	31/12/2023	31/12/2022
A) Purchases	250.792.286	123.211.007
of which purchases not settled at the reference date	1.968.206	659.146
B) Sales	64.095.479	58.682.307
of which sales not settled at the reference date	347.530	311.825

Table 21.3
Composition of Indirect Deposits by economic activity sector

	31/12/2023	31/12/2022
A) Public administrations	14.665.474	8.693.825
B) Financial companies:	161.994.546	78.015.590
B1. Monetary financial institutions	36.618.990	33.199.245
B2. Investment funds other than money market funds	98.007.837	24.939.238
B3. Other financial institutions	27.367.719	19.877.107
B4. Insurance companies	-	-
B5. Pension funds	-	-
C) Non-financial companies:	116.976.284	76.839.847
of which persons deleted from the Register of Authorized Entities	6.627.886	7.490.845
C1. Industry	13.201.014	21.735.710
C2. Building	866.176	57.391
C3. Services	101.400.938	54.304.151
C4. Other non-financial companies	1.508.156	742.595
D) Households and non-profit institutions serving households:	510.231.381	406.602.633
D1. Consumer families	508.075.757	403.596.934
D2. Non-profit institutions serving households	2.155.624	3.005.699
E) Other	-	-

Total	803.867.685	570.151.895
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Table 21.4
Trust activity

	31/12/2023	31/12/2022
1. Transferable assets:	78.065.248	76.024.056
1.1 financial instruments	73.891.534	70.568.999
1.2 liquid assets	4.173.714	5.455.057
2. Company holdings:	-	-
2.1 units or shares of joint-stock companies	-	-
2.2 shareholders' loans	-	-
2.3 liquid assets	-	-
3. Loans to third parties:	-	-
3.1 financial instruments	-	-
3.2 liquid assets	-	-
4. Other movable or intangible assets:	-	-
4.1 movable or intangible assets	-	-
4.2 liquid assets	-	-
5. Total of trust activity	78.065.248	76.024.056
5.1 of which total liquid assets	4.173.714	5.455.057

Table 21.5
Assets held when acting as trustee

	31/12/2023	31/12/2022
A) Assets:		
A1. Cash and cash equivalents	-	-
A2. Loans	-	-
A3. Securities	-	-
A3.1 Debt securities	-	-
A3.2 Capital securities	-	-
A3.3 OIC	-	-
A3.4 Other	-	-
A4. Holdings	-	-
A5. Other financial assets	-	-
A6. Immovable assets	-	-
A7. Registered movable assets	-	-
A8. Other products and services	-	-
Total assets held in Trust	-	-
B) Liabilities:		
B1. Debts	-	-
B2. Other liabilities	-	-
Total liabilities held in Trust	-	-
C) Operating income and charges:		
C1. Income related to assets in Trust	-	-
C2. Charges related to assets in Trust	-	-
Difference between income and charges	-	-

Table not valued as data not present.

SECTION F - INFORMATION ABOUT THE PROFIT AND LOSS ACCOUNT

22. Interests (items 10 - 20 of the profit and loss account)

Table 22.1
Composition of item 10 "Interests received and proceeds"

	31/12/2023	31/12/2022	Variations Amount	%
A) On Treasury Securities 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 inter-bank loans:	3.657.542	330.351	3.327.191	1.007,17%
B1. Current accounts	1.793.539	117.886	1.675.653	1.421,42%
B2. Deposits	1.291.251	111.348	1.179.903	1.059,65%
B3. Other loans	572.752	101.117	471.635	466,43%
of which on financial leases	-	-	-	-
C) On customer loans:	9.970.925	6.409.520	3.561.405	55,56%
C1. Current accounts	776.876	633.122	143.754	22,71%
C2. Deposits	-	-	-	-
C3. Other loans	9.194.049	5.776.398	3.417.651	59,17%
of which on financial leases	1.830.833	1.233.943	596.890	48,37%
D) On debt securities from banks:	8.770.282	6.363.409	2.406.873	37,82%
D1. Certificates of deposit	-	-	-	-
D2. Bonds	8.770.282	6.363.409	2.406.873	37,82%
D3. Other financial instruments	-	-	-	-
E) On financial debt instruments from customers (issued by other issuers)	5.120.216	4.864.745	255.471	5,25%
E1. Bonds	5.120.216	4.864.745	255.471	5,25%
E2. Other financial instruments	-	-	-	-
Total	27.518.965	17.968.025	9.550.940	53,16%

Interest on loans to credit institutions is allocated to item "B1. Accounts receivable" when generated on correspondent accounts.

As regards customers, interest generated by the technical form of current account on demand falls under item "C1. Accounts receivable", while mortgages, loans, leases and other loans generate interest allocated to item "C3. Other loans".

Table 22.2
Composition of item 20 "Interests paid and costs"

	31/12/2023	31/12/2022	Variations Amount	%
A) On debts with banks:	230.931	219.666	11.265	5,13%
A1. Current accounts overdrafts	368	33.092	(32.724)	(98,89%)
A2. Deposits	85.330	14.901	70.429	472,65%
A3. Other debts	145.233	171.673	(26.440)	(15,40%)
B) On customer debts:	4.486.207	594.127	3.892.080	655,09%
B1. Current accounts overdrafts	380.822	168.805	212.017	125,60%
B2. Deposits	1.588.967	144.961	1.444.006	996,13%
B3. Other debts	2.516.418	280.361	2.236.057	797,56%
C) On debts represented by securities with banks	-	-	-	-
of which on certificates of deposit	-	-	-	-
D) On debts represented by securities with customers	2.367.130	732.741	1.634.389	223,05%
of which on certificates of deposit	2.364.388	581.636	1.782.752	306,51%
E) On subordinated liabilities	-	-	-	-
of which on hybrid capitalization instruments	-	-	-	-
Total	7.084.268	1.546.534	5.537.734	358,07%

23. Dividends and other revenues (item 30 of the profit and loss account)

Table 23.1
Composition of item 30 "Dividends and other revenues"

	31/12/2023	31/12/2022	Variations	
			Amount	%
A) On shares, quotas and other capital financial instruments	89.979	-	89.979	-
B) On holdings	-	-	-	-
C) On holdings in group companies	-	-	-	-
Total	89.979	-	89.979	-

24. Commissions (items 40 - 50 of the profit and loss account)

Table 24.1
Composition of item 40 "Commissions earned"

	31/12/2023	31/12/2022	Variations Amount	%
A) Guarantees issued	155.518	169.402	(13.884)	(8,20%)
B) Credit derivatives	-	-	-	-
C) Investment services:	3.846.362	2.546.127	1.300.235	51,07%
C1. receipt and transmission of orders (let. D 1 enc.1 LISF)	651.174	426.555	224.619	52,66%
C2. execution of orders (let. D2 enc.1 LISF)	481.470	378.988	102.482	27,04%
C3. management of securities portfolio (let. D4 enc.1 LISF)	2.713.718	1.740.584	973.134	55,91%
C4. placement of securities (let. D5 and D6 enc.1 LISF)	-	-	-	-
D) Consultancy services	-	-	-	-
E) Distribution of third-party services and products other than placement:	94.800	83.590	11.210	13,41%
E1. asset management	-	-	-	-
E2. insurance products	94.800	83.590	11.210	13,41%
E3. other services or products	-	-	-	-
F) Collection and payment services	1.811.634	1.539.857	271.777	17,65%
G) Custodian bank services	40.444	41.420	(976)	(2,36%)
H) Securities custody and management	190.191	122.989	67.202	54,64%
I) Trust services	2.500	2.500	-	-
L) Operation of tax services and treasury	-	-	-	-
M) Currency transactions	142.811	106.127	36.684	34,57%
N) Commissions for collective management services (letters E and F, Annex 1 LISF)	-	-	-	-
O) Electronic money	76.196	60.926	15.270	25,06%
P) Issuance/Management of credit/debit cards	388.400	349.207	39.193	11,22%
Q) Other services	511.818	345.584	166.234	48,10%
Total	7.260.674	5.367.729	1.892.945	35,27%

Table 24.2
Composition of item 5 “Commissions paid”

	31/12/2023	31/12/2022	Variations Amount	%
A) Guarantees received	-	50	(50)	(100,00%)
B) Credit derivatives	-	-	-	-
C) Investment services:	395.412	361.248	34.164	9,46%
C1. receipt and transmission of orders (let. D 1 enc.1 LISF)	-	-	-	-
C2. execution of orders (let. D2 enc.1 LISF)	64.512	76.414	(11.902)	(15,58%)
C3. management of securities portfolios (let. D4 enc.1 LISF):	330.900	284.834	46.066	16,17%
C3.1 own portfolio	7.883	13.745	(5.862)	(42,65%)
C3.2 third-party portfolio	323.017	271.089	51.928	19,16%
C4. placement of securities (let. D5 and D6 enc.1 LISF)	-	-	-	-
D) Door-to-door sale of financial instruments, products and services	-	-	-	-
E) Collection and payment services	1.123.272	1.018.940	104.332	10,24%
F) Commissions for distributors	-	-	-	-
G) Electronic money	50.634	45.506	5.128	11,27%
H) Issuance/Management of credit/debit cards	258.105	260.825	(2.720)	(1,04%)
I) Other services	75.757	46.057	29.700	64,49%
Total	1.903.180	1.732.626	170.554	9,84%

Table 24.3
SG: information on commission income and expense

The table is not completed as it is not applicable.

25. Profits (losses) from financial operations (item 60 of the profit and loss account)

Table 25.1

Composition of item 60 "Profits (losses) from financial operations"

	Securities transactions	Currency transactions	Transaction on precious metals	Other transactions
A1. Revaluations	3.969.100			-
A2. Write-downs	(487.047)			-
B. Other profits / losses (+/-)	1.282.900	166.487	-	-
Total	4.764.953	166.487	-	-
1. Government securities	(19.618)			
2. Other debt financial instruments	3.519.106			
3. Capital financial instruments	1.265.465			
4. Contracts derived from financial instruments	-			

Gains and losses on the value of the securities of the trading portfolio as at 31/12/2023 are entered in the items "A1. Revaluations" and "A2. Writedowns" respectively. The item "B. Other profits/losses" includes the profits and losses deriving from the negotiation and sale of financial instruments and from transactions for the sale of currencies other than the Euro.

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

Table 26.1

Composition of items 70 - 80 "Other operating income", "Other operating charges"

	31/12/2023	31/12/2022	Variations	
			Amount	%
Other operating income:				
- Capital share of leasing fees	11.969.483	8.707.819	3.261.664	37,46%
- Account and deposit management fees	558.728	513.542	45.186	8,80%
- Recovery of expenses	103.103	100.636	2.467	2,45%
- Rental income	10.000	12.000	(2.000)	(16,67%)
- Other operating income	151.683	-	151.683	-
Total	12.792.997	9.333.997	3.459.000	37,06%
Other operating charges				
Total	-	-	-	-

With particular reference to "Other income", expenses were recovered from the subsidiary 739 S.G. for a total of €85,490 for the performance of Risk Management and Compliance functions, for software and network support fees, as well as compensation for the secondment of Institute employees.

27. Administrative costs (item 90 of the profit and loss account)

Table 27.1
Number of employees by category

	Average as at 31/12/2023	Personnel cost as at 31/12/2023	Number as at 31/12/2023	Average as at 31/12/2022	Personnel cost as at 31/12/2022	Number as at 31/12/2022
A) Senior managers	10,00	1.586.953	10	10,00	1.579.483	10
B) Managers	3,75	484.881	3	2,25	191.895	3
C) Remaining personnel:	46,08	2.117.741	47	44,25	2.058.293	46
C1. Office employees	46,08	2.117.741	47	43,25	2.045.178	46
C2. Other personnel	-	-	-	1,00	13.115	-
Total	59,83	4.189.575	60	56,50	3.829.671	59

This table includes all staff with employment contracts, both fixed-term and open-ended. The workforce is made up of 10 executives (1 general manager, 1 deputy general manager and 8 officials in charge of operational areas and branches), 3 middle managers and 47 clerical staff.

For further qualitative and quantitative information on personnel, see the relevant section of the Management report.

Table 27.2
Composition of sub-item b) "Other administrative costs"

			Variations	
	31/12/2023	31/12/2022	Amount	%
Other administrative expenses	2.543.235	2.634.809	(91.574)	(3,48%)
of which remuneration for independent auditors	55.425	40.425	15.000	37,11%
of which for services other than budget review	-	-	-	-
of which Other:	2.487.810	2.594.384	(106.574)	(4,11%)
- Network service fees	602.868	681.547	(78.679)	(11,54%)
- Supervisory and associative burdens	592.749	763.243	(170.494)	(22,34%)
- Services	385.916	343.876	42.040	12,23%
- Insurance	192.227	172.997	19.230	11,12%
- Utilities and service fees	176.759	163.710	13.049	7,97%
- Transfer to the Depositors Guarantee Fund	103.372	92.799	10.573	11,39%
- Rental expenses	102.939	101.507	1.432	1,41%
- Consumable materials	83.640	87.671	(4.031)	(4,60%)
- Maintenance and repair	78.553	51.078	27.475	53,79%
- Agency cost	56.343	32.674	23.669	72,44%
- Taxes and duties	36.688	30.827	5.861	19,01%
- Advertising	13.451	13.914	(463)	(3,33%)
- Other general expenses	62.305	58.541	3.764	6,43%

Table 27.3
Remuneration

			Variations	
	31/12/2023	31/12/2022	Amount	%
A) Directors	135.266	133.540	1.726	1,29%
B) Auditors	50.600	50.600	-	-
C) Managers	435.539	412.766	22.773	5,52%
Total	621.405	596.906	24.499	4,10%

This table shows the remuneration paid to Directors, Statutory Auditors and Management for their work. As far as Directors and Statutory Auditors are concerned, the cost coincides with the amount paid to them for carrying out their activities.

28. Adjustments, write-backs and provisions (items 100-110-120-130-140-150-160-170 of the profit and loss account)

Table 28.1

Composition of items 100-110 "Value adjustments on tangible and intangible fixed assets"

	31/12/2023	31/12/2022	Variations	
			Amount	%
A) Intangible fixed assets:	217.962	251.006	(33.044)	(13,16%)
of which on assets leased	-	-	-	-
of which on other intangible assets:	217.962	251.006	(33.044)	(13,16%)
A1. Multi-year fees	142.381	168.470	(26.089)	(15,49%)
A2. Software	71.661	82.526	(10.865)	(13,17%)
A3. Trademarks and patents	3.920	10	3.910	39.100,00%
B) Tangible fixed assets:	12.386.140	9.042.703	3.343.437	36,97%
of which on assets leased	11.969.483	8.707.819	3.261.664	37,46%
of which on other intangible assets:	416.657	334.884	81.773	24,42%
B1. Lands and buildings	197.669	166.522	31.147	18,70%
B2. Electronic office devices	135.874	67.091	68.783	102,52%
B3. Systems and technical equipment	31.465	42.596	(11.131)	(26,13%)
B4. Furniture	41.281	48.307	(7.026)	(14,54%)
B5. Vehicles	10.368	10.368	-	-
Total	12.604.102	9.293.709	3.310.393	35,62%

Table 28.2

Composition of item 120 "Provisions for risks and charges"

	31/12/2023	31/12/2022	Variations	
			Amount	%
Provisions (relating to sub-item "Other funds" of Liabilities)	987.873	-	987.873	-

With regard to the provisions for risks and charges, refer to what is indicated at the bottom of table 18.4.

Table 28.3
Item 130 "Allowances for possible loan losses"

	31/12/2023	31/12/2022	Variations	
			Amount	%
Provisions (relating to item "Credit risk funds" of Liabilities)	767.938	-	767.938	-

With regard to the provisions for credit risk funds, refer to what is indicated at the bottom of table 18.5.

Table 28.4
Composition of item 140 "Value adjustments on credits and provisions for guarantees and commitments"

	31/12/2023	31/12/2022	Variations	
			Amount	%
A) Value adjustments on credits	3.221.898	1.527.568	1.694.330	110,92%
of which:				
- lump-sum adjustments for country risk	9	-	9	-
- other lump-sum adjustments	57.697	66.538	(8.841)	(13,29%)
B) Provisions for guarantees and commitments	-	-	-	-
of which:				
- lump-sum adjustments for country risk	-	-	-	-
- other lump-sum adjustments	-	-	-	-
Total	3.221.898	1.527.568	1.694.330	110,92%

With a view to controlling and monitoring the insolvency risks of debtors, the Bank made prudent provisions based on the presumable realization values of loans.

With reference to the entry into force of Circular no. 2023/01 regarding minimum coverage of impaired credit exposures, it was necessary to adapt the loss forecasts of impaired loans already in place to the new supervisory provisions. The same envisage a multi-year convergence path towards complete coverage of impaired credit exposures, which differs depending on the NPE Ratio (ratio between the gross book value of impaired credit exposures and the total gross book value of credit exposures) of each bank.

Table 28.5
Different types of movements of the financial year

	31/12/2023		31/12/2022	Variations	
	Analytical	Lump sum		Amount	%
A) Total cash credit write-downs:	3.071.834	57.706	1.490.572	1.638.968	109,96%
A1. Non-performing loans	870.208	-	788.681	81.527	10,34%
A2. Substandard loans	2.050.951	-	77.885	1.973.066	2.533,31%
A3. Other loans	150.675	57.706	624.006	(415.625)	(66,61%)
B) Total losses on cash credits:	92.358	-	36.996	55.362	149,64%
B1. Non-performing loans	92.285	-	13.451	78.834	586,08%
B2. Substandard loans	-	-	-	-	-
B3. Other loans	73	-	23.545	(23.472)	(99,69%)
Total cash value adjustments (A+B)	3.164.192	57.706	1.527.568	1.694.330	110,92%
C) Total advances on guarantees and commitments:	-	-	-	-	-
C1. Guarantees	-	-	-	-	-
C2. Commitments	-	-	-	-	-
Total (A+B) + C	3.164.192	57.706	1.527.568	1.694.330	110,92%

Value adjustments derive from the application of the valuation criteria described in Part A of these explanatory notes. They are therefore classified as "analytical" and "lump-sum" depending on the aggregate to which the valuation relates.

Table 28.6
Composition of item 150 "Value adjustments and provisions for guarantees and commitments"

	31/12/2023	31/12/2022	Variations	
			Amount	%
Write backs	1.320.248	913.809	406.439	44,48%
- of which on non-performing loans	1.017.596	618.577	399.019	64,51%
- of which on substandard loans	42.213	6.246	35.967	575,84%
- of which on other credits	260.439	288.986	(28.547)	(9,88%)

Table 28.7

Composition of item 160 “Value adjustments on fixed financial assets”

	31/12/2023	31/12/2022	Variations Amount	%
Value adjustments	350.000	1.019.745	(669.745)	(65,68%)
- of which on investments	350.000	-	350.000	-
- of which on investments in group companies	350.000	-	350.000	-
- of which on investments in associated companies	-	-	-	-
- of which on investments valued at equity	-	-	-	-
- of which on other capital financial instruments	-	-	-	-
- of which on debt financial instruments	-	1.019.745	(1.019.745)	(100,00%)
- of which on derivative financial instruments	-	-	-	-

With regard to the value adjustments on equity investments, refer to what is indicated at the bottom of table 6.5.

Table 28.8

Composition of item 170 “Value recoveries on fixed financial assets”

	31/12/2023	31/12/2022	Variations Amount	%
Value recoveries	-	-	-	-
- of which on investments	-	-	-	-
- of which on investments in controlled companies	-	-	-	-
- of which on investments in associated companies	-	-	-	-
- of which on investments valued at equity	-	-	-	-
- of which on other capital financial instruments	-	-	-	-
- of which on debt financial instruments	-	-	-	-
- of which on derivative financial instruments	-	-	-	-

Table not valued as data not present.

29. Extraordinary income (item 190 of the profit and loss account) and extraordinary expenses (item 200 of the profit and loss account)

Table 29.1

Composition of items 190 "Extraordinary income" and 200 "Extraordinary expenses"

	31/12/2023	31/12/2022	Variations	
			Amount	%
Extraordinary income:				
- Profit from realization of investment securities	399.083	167.578	231.505	138,15%
- Prescribed credits Law no. 165/2005 Art. 149	183.324	-	183.324	-
- Other active contingencies	87.754	19.142	68.612	358,44%
Total	670.161	186.720	483.441	258,91%
Extraordinary expenses:				
- Losses from realization of investment securities	342.103	161.004	181.099	112,48%
- Taxes relating to previous years	256.001	-	256.001	-
- Capital losses	110.328	-	110.328	-
- Other extraordinary expenses	453	8.420	(7.967)	(94,62%)
Total	708.885	169.424	539.461	318,41%

With regard to the composition of "Extraordinary charges", refer to the notes at the bottom of table 18.3 regarding "Taxes relating to previous years" and to table 8.1 for "Capital losses".

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

Table 30.1

Composition of item 230 "Change in the General financial risk fund"

	31/12/2023	31/12/2022	Variations	
			Amount	%
Change in the General financial risk fund	-	-	-	-

Table not valued as data not present.

SECTION G - OTHER INFORMATION TABLES

31. Prudential aggregates

Table 31.1
Prudential aggregates

	Amount / %
Regulatory capital	
A1. Core capital	53.300.664
A2. Supplementary capital	-
A3. Deductions	858.858
A4. Regulatory capital	52.441.806
Risk assets and supervisory ratios	
B1. Weighted risk assets	277.393.804
C1. Regulatory capital / Weighted risk assets	18,91%
Supervisory requirements	
D1. Market risks	-

The Bank has capital suitable for covering potential risks, showing a total capital ratio of 18.91%, substantially stable compared to the value relating to the previous year.

With protocol communications no. 22/3413 of 31/03/2022 and no. 22/6395 of 23/06/2022, Regulation no. 2013-01 art. 16 c. 10 and lastly Regulation no. 2024/01 art. 15 c. 5, the Central Bank exceptionally and temporarily granted a partial exemption until 31/12/2024 with regard to the deductions from the supplementary capital of net capital losses on the fixed portfolio pursuant to art. VII.III.3 paragraph 3 of Regulation no. 2007/07, which were therefore calculated in the percent amount of 25% instead of 50%.

Furthermore, based on the provisions of Regulation no. 2013/01 art. 16 c. 11, the Institute had taken steps to deduct from the values already recorded among intangible assets the technological investments relating to the banking information system, instrumental to the continuity of strategic operational functions. The authorization for the deduction had been granted to the extent of 1/5 of the total value of the investment recorded in the financial statements for each financial year, starting from the 2022 budget. Given the dispute with the supplier, already described in the explanatory notes, this deduction is no longer present at the end of the financial year.

With reference to the prudential treatment of the assets deriving from the system securitization operation held indirectly through the Odisseo fund, the Central Bank requested with letter prot. no. 24/3881 of 14/04/2024 that these components of the fund be weighted according to the look-through criterion. A weighting of 135% was therefore applied to the ABS-Mezzanines (share equal to €1,149,647), a weighting of 405% was applied for the first year to the ABS-Juniors (share equal to €1,065,284) and finally, a weighting of 75% (deduced from paragraph 4, paragraph 1 of Circular no. 2022/01) was applied to the Escrow Account (share equal to €252,882). The balance sheet total of these assets, equal to €2,467,814, yields a weighted value of €6,056,087, equal to an average weighting coefficient of 245.403%.

32. Major risks and related parties

Table 32.1
Major risks

	31/12/2023	31/12/2022	Variations	
			Amount	%
Amount	5.831.016	29.377.445	(23.546.429)	(80,15%)
Number	1	5	(4)	(80,00%)

This table shows the total weighted amount (risk position, direct and indirect, gross of any portion deducted from the regulatory capital) and the number of positions that constitute a “major risk” according to current supervisory regulations.

Table 32.2
Risks to related parties

	31/12/2023	31/12/2022	Variations	
			Amount	%
Amount	2.501.301	2.410.525	90.776	3,77%
Number	12	12	-	-

This table shows the total weighted amount (risk position, direct and indirect, gross of any portion deducted from the regulatory capital) and the number of risk positions towards related parties and parties connected to them, in accordance with the provisions of the supervisory regulations in force.

33. Time distribution of assets and liabilities

Table 33.1
Time distribution of assets and liabilities

	Total	Sight	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From more than 1 year to 18 months	From more than 1 year to 18 months	From more than 18 months to 2 years	From more than 18 months to 2 years	From more than 2 years to 5 years	From more than 2 years to 5 years	More than 5 years	More than 5 years	No term
Fixed rate (F) - Variable rate (V)						F	V	F	V	F	V	F	V	
1. Assets														
1.1 Treasury securities and other financial instruments eligible for refinancing with central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1.2 Loans to credit institutions	101.833.436	49.587.748	25.856.411	-	-	-	-	-	-	-	-	-	-	26.389.277
1.3 Loans to customers	185.581.501	12.701.903	27.905.982	7.982.755	11.311.913	1.187.807	6.902.379	985.125	7.214.439	3.349.944	29.628.521	6.312.167	65.225.691	4.872.875
1.4 Bonds and other debt financial instruments	495.180.509	1.000.000	15.392.838	34.364.865	15.939.119	45.623.762	46.638.448	51.324.833	13.011.880	107.354.829	57.778.500	81.775.164	22.810.862	2.165.409
1.5 Off-balance sheet transactions	22.056.275	673.866	4.995.421	360.460	728.609	-	-	1.492.394	-	4.715.570	-	9.089.955	-	-
2. Liabilities														
2.1 Payables to credit institutions	2.327.875	952.777	-	1.375.098	-	-	-	-	-	-	-	-	-	-
2.2 Payables to customers	607.531.750	453.087.273	54.199.679	72.841.805	26.724.486	325.402	-	170.393	-	182.712	-	-	-	-
2.3 Payables represented by financial instruments:	123.180.952	577.397	58.024.597	17.568.160	37.159.434	6.065.609	-	114.872	-	2.640.883	-	-	-	-
- Bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Certificates of deposit	123.180.952	577.397	58.024.597	17.568.160	37.159.434	6.065.609	-	114.872	-	2.640.883	-	-	-	-
- Other financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.4 Other liabilities: cheques in circulation and similar securities	1.161.964	1.161.964	-	-	-	-	-	-	-	-	-	-	-	-
2.5 Subordinated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.6 Off-balance sheet transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-

This table represents a time span of the residual life of the balance sheet asset and liability items.

34. Securitization transactions

The bank did not carry out any securitization transactions.

35. Payment institutions and electronic money institutions: further information

Section 35 is not completed as it does not fall within the requested case.

Year 2023

36. More information on credit cards/debit cards/e-money

Table 36.1
Volumes of payment transactions

Type of operations	31/12/2023				31/12/2022			
	Amount of operations	Number of operations	Commissions received	Expense recoveries	Amount of operations	Number of operations	Commissions received	Expense recoveries
a) Credit cards	31.665.669	355.596	56.945	112.804	26.828.897	306.462	39.075	115.316
b) Debit cards	40.788.045	664.395	73.350	145.301	33.853.621	500.514	49.307	145.509
c) Electronic money	14.213.861	178.408	25.561	50.634	10.587.187	142.443	15.420	45.506
Total	86.667.575	1.198.399	155.856	308.739	71.269.705	949.419	103.802	306.331

Table 36.2
Fraudulent uses

Type of operations	31/12/2023				31/12/2022			
	Amount of operations	Number of operations	Charges for the intermediary	Insurance reimbursements	Amount of operations	Number of operations	Charges for the intermediary	Insurance reimbursements
a) Credit card	17.480	102	-	-	14.263	108	-	-
b) Debit card	583	16	-	-	-	-	-	-
c) Electronic money	5.477	25	-	-	3.121	49	-	-
Total	23.540	143	-	-	17.384	157	-	-

Table 36.3
Credit cards revoked due to insolvency

Risk operation type	31/12/2023		31/12/2022	
	Amount	Number of cards	Amount	Number of cards
a) On the intermediary	-	-	-	-
b) On third parties	-	-	-	-
Total	-	-	-	-

Table not valued as data not present.

Table 36.4
Data related to acquiring activity

	31/12/2023		31/12/2022	
P.O.S.	Number	Amount	Number	Amount
Number of Points of Sale (P.O.S.) contracted with the reporting entity	778		734	
Number of merchants affiliated with the reporting institution	608		590	
Payment transactions at merchants affiliated with the reporting institution	1.277.207	82.672.958	1.076.013	65.882.912
A.T.M.	Number	Amount	Number	Amount
Number of Automatic Teller Machines (A.T.M.) operated by the reporting institution	6		6	
Withdrawal transactions at A.T.M.'s operated by the reporting institution	89.528	14.615.010	87.061	14.122.500
Transactions other than withdrawal transactions at A.T.M. operated by the reporting institution	532	13.940	801	20.350

37. Management Company (MC): Information on asset management (collective and individual)

Section 37 is not completed as it is not applicable.

SECTION H – OTHER INFORMATION

None.

ATTACHMENTS TO THE FINANCIAL STATEMENTS – REPORT OF THE BOARD OF STATUTORY AUDITORS – INDEPENDENT AUDITORS’ REPORT

REPORT
OF THE BOARD OF STATUTORY AUDITORS
TO THE FINANCIAL STATEMENTS FOR THE YEAR CLOSED AS AT 31.12.2023

BANCA SAMMARINESE D'INVESTIMENTO S.P.A.
Registered office in Falciano – Via Monaldo da Falciano no. 3
Republic of San Marino
Share Capital € 21.500.000,00 fully paid in
Companies Register Registration of the Republic of San Marino no. 2771 of 29/05/2002
Registered on 05/05/2006 under no. 17 in the Register of Authorized Persons.
Economic Operator Code SM18493

Dear Shareholders,

this report of the Board of Statutory Auditors to the financial statements for the year ended as of 31 December 2023, which we are pleased to submit to your attention, is divided into three sections:

1. Activities carried out
2. Financial statements
3. Conclusions

* * *

1. Activities carried out

The draft financial statements for the year ended as of 31 December 2023, made available to the Board of Statutory Auditors within the terms provided for by law and submitted for your review and approval, have been prepared in accordance with the provisions of the law and, in particular, with Article 29 et seq. of Law 165/2005 (LISF), Article VI.II.2 of Regulation 2007-07 issued by the Central Bank of the Republic of San Marino, as amended, to the principles set forth in Regulation 2016-02, to the criteria established by the Law on Companies 47/2006, as amended, as well as in compliance with the provisions issued by the Supervisory Authority of the Central Bank of the Republic of San Marino.

It should be noted that your Company has proceeded, in accordance with the law, to the appointment of the auditing company Ab&d Audit Business & Development s.p.a., reason for which the Board of Statutory Auditors is not responsible for auditing activities.

During the 2023 financial year, the Board of Statutory Auditors:

- exercised the supervisory activities entrusted to it, in compliance with current legislation, regulations, recommendations and circulars issued by the Central Bank, as well as the instructions and notes pertaining to the Financial Information Agency of the Republic of San Marino;
- supervised compliance with the law and the bylaws and compliance with the principles of proper administration by the corporate bodies;
- verified, to the extent of its competence, the corporate activities aimed at adjusting the organizational structure of the Company to the current regulations and this through direct observations, acts of inspection and control, sample checks, collection

of information from the Heads of the Structure, the administrative and control department, as well as through meetings with the auditing firm aimed at the mutual exchange of relevant data and information;

- attended the meetings of the Board of Directors, obtaining from the administrative body information on the general performance of management, its expected outlook, the industrial and programmatic plan characterizing the company and the problematic activities involving the Institute; as well as receiving information on credits and relations of major economic, financial and patrimonial importance;
- maintained coordination with the appointed auditing firm, as well as with Internal Auditing, the Compliance Officer and the Anti-Money Laundering Officer, all performing internal control functions;
- generally verified the functioning of the different organizational areas, as well as assessed the degree of effectiveness of internal controls, particularly focusing on risk control, the functioning of Internal Auditing as well as the degree of reliability of the information-accounting system;
- ensured that corporate transactions were deliberated and formalized in accordance with the law and the bylaws;
- assessed the substantial legal adequacy of the primary regulatory activity approved by the Institute, also attesting to the company's extensive efforts aimed at implementing the information systems suitable for the application of the regulations on preventing and combating money laundering and terrorist financing;
- the Board of Statutory Auditors did not receive any reports from the Shareholder Member during the year under review (pursuant to former Article 65 of Law 47/2006); furthermore, no complaints were filed pursuant to former Article 66 of Law 47/2006.

The 2023 financial year closed with a profit of € 17.046.073,22 and the Board of Directors in the Explanatory Notes to the Financial Statements explained the valuation criteria adopted for the various items and provided the required information on both the Statement of Assets and Liabilities and the Profit and Loss Account.

Therefore, when approving the financial statements, the Bank will allocate:

- € 3.409.214,64 for the Legal Reserve;

- € 10.000.000,00 for the distribution of profits to shareholders;
- € 850.000,00 for a special optional reserve, available and distributable, exclusively in favour of shareholder managers employed by BSI;
- € 2.786.858,58 for other reserves.

The meeting will decide on the release of the reserve for the tax exemption of reinvested profits pursuant to Law no. 166/2013 art. 63 for an amount equal to €241.030,26 following partial renunciation of the completion of the investments.

2. Financial statements

The financial statements, as stipulated in Article 29 of Law 165/2005 and Article VI.II.2 of Regulation 2007-07, as amended, consists of the following documents: the Statement of Assets and Liabilities, which reproduces the qualitative and quantitative composition of the bank's net equity; the Profit and Loss Account, which provides a demonstration of the economic result produced during the period as a result of operations, through the presentation of the positive and negative components that determined it; the Explanatory Notes to the financial statements, which complete the information given in the summary statements of assets and liabilities and the profit and loss account, indicating the valuation and preparation criteria adopted, as well as the analytical description of certain items in the financial statements; the Report of the Board of Directors, which describes and evaluates the management performance in the various sectors in which the bank has operated, and the situation of the enterprise as a whole, through a historical and prospective analysis of investments, costs and revenues.

The financial statements are summarized in the following results, as reclassified by the Board of Auditors:

Statement of assets and liabilities:		
ASSETS		
Intangible fixed assets	Euro	539.346
Tangible fixed assets net of funds	Euro	38.329.562
Fixed financial assets		1.272.999
Current assets: cash and cash equivalents	Euro	105.523.373
Current assets (net of the Allowance for doubtful accounts): credits and securities	Euro	704.035.674
Accrued revenues and deferred expenses	Euro	531.740
TOTAL ASSETS	Euro	850.232.694
Net equities		
Share capital	Euro	21.500.000
Other reserves	Euro	21.528.937
Revaluation reserve	Euro	1.726.064
Current Earnings (Losses)	Euro	17.046.073
LIABILITIES		
Employees' termination benefits provision	Euro	328.944
Provisions for risks and charges	Euro	5.511.894
Provisions for credit risks	Euro	767.938
Provisions for general banking risks	Euro	5.000.000
Subordinated liabilities	Euro	0
Payables to banks	Euro	2.327.875
Payables to customers, securities and others	Euro	774.199.808
Accrued liabilities and deferred income	Euro	295.161
TOTAL LIABILITIES AND NET EQUITY	Euro	850.232.694
Guarantees, commitments, risks and order accounts	Euro	55.453.862
Profit and loss account:		
Positive components	Euro	54.584.464
Negative components	Euro	37.538.391
Current Earnings (Losses)	Euro	17.046.073

Regarding the financial statements for the year ended as of 31 December 2023, in addition to the foregoing, the Board of Statutory Auditors certifies that it has:

- supervised the general approach given to the financial statements themselves and their compliance with the law with reference to their formation and structure. The valuation of the items in the financial statements was carried out in accordance with the principle of prudence and accrual and with a view to the continuation of business activities.
- verified the correspondence of the financial statements to the facts and information of which it has become aware in the course of the performance of its duties, during the year there were no exceptional cases that made it necessary to resort to exemptions under Article 75 of Law 47/2006.

3. Conclusions

On the basis of the documentation exhibited and the audits carried out during the audit activities performed, no serious irregularities, reprehensible facts or otherwise significant facts put in place by the Company and such as to be mentioned in this report have been detected.

In addition to this, taking into account that the report extended by the independent auditors Ab&d Audit Business & Development s.p.a. on April 22, 2024 on these financial statements does not raise any issues, the Board of Statutory Auditors has ascertained that, to the best of its knowledge and to the extent of its competence, the financial statements do not appear to be affected by significant errors and as a whole were drawn up clearly and in compliance with current civil and tax laws, representing, to the best of the Board's knowledge, a true and fair view of the equity and financial situation and the economic result for the financial year.

In view of the foregoing, and to the extent of its competence, the Board of Statutory Auditors finds no reason to object to the approval of the draft financial statements for the year ended as of 31 December 2023 and the formulated Explanatory Notes to the financial statements, as presented by the Board of Directors.

In accordance with the law, the undersigned members of the Board of Statutory Auditors declare that they continue to meet the subjective and objective conditions required by San Marino law for assuming corporate office.

San Marino, May 2, 2024

Dott. Francesca Monaldini
Chairman of the Board of Statutory Auditors

Avv. Alida Tosi
Member of the Board of Statutory Auditors

Dott. Fabrizio Cremoni
Member of the Board of Statutory Auditors

REPORT OF THE INDEPENDENT AUDITING COMPANY PURSUANT TO ART. 33 OF LAW N. 165/2005, ART. 68 OF LAW N. 47/2006, ART. VI.II.3 OF REGULATION NO. 2007-07 AND ART. VIII.I.1 OF REGULATION N. 2016-02 ISSUED BY THE CENTRAL BANK OF THE REPUBLIC OF SAN MARINO

*To the Shareholders of
BANCA SAMMARINESE DI INVESTIMENTO S.p.A.*

Opinion

We carried out the audit of the Financial Statements of BANCA SAMMARINESE D'INVESTIMENTO S.p.A. (hereinafter also the Bank), consisting of the Balance Sheet as at December 31, 2023, Income Statement for the year ended on that 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 position of BANCA SAMMARINESE D'INVESTIMENTO S.p.A. as at December 31, 2023 and the economic result for the year closed as at such date, in accordance with San Marino's regulations, including Regulation no. 2016-02, issued by the Central Bank of the Republic of San Marino, which govern the drafting criteria .

Elements at the basis of the opinion

We carried out the audit in compliance with the requirements of national regulations issued in the Republic of San Marino and, where applicable, with the International Standards on Auditing. Our responsibilities under these principles are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of this report. We are independent from the Bank in accordance with the rules and principles on ethics and independence applicable in San Marino's legal system to the audit of the Financial Statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

A note to public disclosure

Without changing our judgment, we would like to draw attention to what is stated by the Board of Directors in the Management Report and in the Explanatory Notes to the Financial Statements on the following significant events.

- The Bank increased the value of the property located in Dogana, used as a branch of the Bank and headquarters of its Subsidiary, and of the property located in Falciano, used as registered and operational headquarters of the institute, as permitted by art. 16 of Law no. 171/2022 for a total amount of €/000 981, better detailed in paragraphs 8 and 19 of the Explanatory Notes to the Financial Statements.

Società di revisione ed organizzazione contabile

- The Bank increased the value of item 80 of the Balance Sheet liabilities “Provisions for credit risks” by €/000 768 against possible credit risks by means of a provision under item 130 of the income statement “Allocations to provisions for credit risks”, better detailed in paragraph 18 of the Explanatory Notes to the Financial Statements.

Responsibilities of the 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 San Marino regulations governing the drafting criteria and, within the terms established by law, for that part of internal control deemed necessary by the Directors themselves to allow the preparation of Financial Statements without significant errors due to fraud or unintentional behaviour or events.

The Directors are responsible for the assessment of the Bank’s ability to continue 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 disclosure on the matter. The Directors use the going concern assumption in preparing the Financial Statements unless they have considered that the conditions exist for the liquidation of the Bank or the interruption of the business, or have no realistic alternatives to such choices.

The Board of Statutory Auditors is responsible for overseeing, within the terms established by law, the Bank’s financial reporting process.

Auditor’s Responsibilities 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 behaviour or events, and to issue an auditor’s report that includes our judgment. Reasonable certainty means a high level of security which, however, does not provide the 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 Standards on Auditing, will always identify a significant error, if existing. Errors can result from fraud or unintentional behaviour or events and are considered significant if it can reasonably be expected that they, individually or as a whole, are able to influence the economic decisions made by the 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, with the International Standards on Auditing, we exercised our professional judgment and maintained professional scepticism throughout the audit. Furthermore:

- o we identified and assessed the risks of material errors in the Financial Statements due to fraud or unintentional behaviour or events; we defined and performed audit procedures in response to these risks; we acquired sufficient and appropriate audit evidence on which to base our judgment. The risk of not identifying a significant error due to fraud is higher than the risk of not identifying a significant error arising from unintentional behaviour or events, since fraud may imply the existence of collusion, forgery, intentional omissions, misleading representations or internal audit forcing;
- o we acquired a relevant understanding of 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;

- o we assessed the appropriateness of the accounting principles used, as well as the reasonableness of accounting estimates made by the Directors, including the related disclosure;
- o we reached a conclusion on the appropriateness of the use of the business continuity assumption by the Directors and, based on the audit evidence, on the presence of significant uncertainty regarding events or circumstances that may give rise to significant doubts about the Bank's ability to continue operating as an operating entity. In the presence of significant uncertainty, we are required to draw attention in the audit report to the related disclosure, or, if such disclosures are inadequate, to reflect this fact in the formulation of our judgment. Our conclusions are based on the audit evidence obtained up to the date of this report. However, subsequent events or circumstances may result in the Bank ceasing to operate as an operating entity;
- o we assessed the presentation, structure and content of the Financial Statements as a whole, including the 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, of the scope and timing planned for the audit and the significant results that emerged, including any significant deficiencies in the internal control identified during the audit.

Report on other provisions of law and regulations

Judgment pursuant to art. 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 SAMMARINESE D'INVESTIMENTO S.p.A. are responsible for the preparation of the management report as at December 31, 2023, including its consistency with the related Financial Statements and its compliance with the Regulation.

We have carried out the procedures indicated in the Regulation (SA Italia) no. 720B in order to express an opinion on the consistency of the management report with the Financial Statements of the Bank as at December 31, 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 SAMMARINESE D'INVESTIMENTO S.p.A. as at December 31, 2023 and drafted in compliance with the Regulation.

With reference to the declaration referred to in art. VIII.I.1, paragraph 2, letter b) of the Regulation, based on the knowledge and understanding of the Bank and the related context acquired during the audit, we have nothing to report.

Other aspects

It should be noted that the Bank holds controlling interests, while the current regulatory framework does not currently require the preparation of consolidated Financial Statements.

San Marino, April 22, 2024

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

Marco Stolfi
Auditor