



BSI

banca sammarinese
di investimento

Annual Report 2015

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CORPORATE OFFICERS AS OF 31/12/2015

BANCA SAMMARINESE DI INVESTIMENTO S.P.A.

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Share Capital 20.000.000 fully paid in

Economic Operator Code SM18493

Companies Register registration no. 2771 of 29/05/2002

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

Board of Directors

Emanuel Colombini Chairman

Enzo Donald Mularoni Directors
Roberto Ragini

Board of Auditors

Giuseppe Dini Chairman

Alessandro Olei Standing auditors
Marco Cevoli

Gabriele Monti **Managing Director**

Audit World S.r.l. **Auditing Firm**

PRESENCE WITHIN THE TERRITORY: BRANCHES

BIC SWIFT

BSDISMSDXXX

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BOARD OF DIRECTOR'S REPORT ON MANAGEMENT

Dear Shareholders,

We are pleased to submit the Financial Statements for the year ended 31/12/2015 for your consideration and approval.

Before illustrating the activity of the Bank and the results achieved during the year, we deem it appropriate to briefly mention economic trends worldwide, in Italy and in the Republic of San Marino, with a focus on the banking and financial system relating to the past year.

INTERNATIONAL ECONOMIC SITUATION

Prospects are improving slightly in advanced countries, while they remain uncertain and subject to risks in China and other emerging economies. The projections of global growth for the current year and the next one indicate a modest acceleration compared to 2015, although they have been revised downwards. Commodity prices have fallen below the minimum levels reached during the 2008/09 crisis. The start of the increase in interest rates in December by the Federal Reserve had no adverse consequences.

In the major advanced countries outside the Eurozone the economic activity in the third quarter grew stronger than expected in the United States (2% per annum) and in Japan (1%), at a slightly lower rate than expected in the United Kingdom (1.8%). The latest indicators suggest a continuation of the upswing in the fourth quarter as well, despite some signs of a slowdown in the manufacturing activity in the USA.

In the major emerging economies, the economic situation remains generally weak, with trends varying considerably between countries: the intensification of the recession in Brazil is contrasted by the positive evolution of the economic situation in India and the mitigation of the fall of the product in Russia. In China, at the beginning of the year the disappointing performance of the PMI indices of the manufacturing sector contributed to rekindle the fears that had emerged last summer of a more marked slowdown of economy in the coming months. The recent dynamics of the components of supply and demand confirm the continuation of the process of economy rebalancing in favor of consumption and services; the slowdown in investment is reflected in a weak trend of imports. The available economic information indicates that in the fourth quarter the expansion of the Chinese product would have maintained a pace similar to that of the previous three months (6.9% compared with the corresponding period), with the support of expansionary policies implemented by the authorities.

World trade rose again in the third quarter of 2015, although in emerging economies the recovery of trade, which had marked a strong fall in the first half of the year, was smaller than expected; overall, in the first nine months growth was just 1.2% compared to the same period in 2014. The recovery of trade would continue, albeit at a more modest rate, in the fourth quarter: in November OECD estimates indicated an increase in world trade of 2% in 2015 (half of the estimates in June) and 3.6% in 2016.

In December, oil prices weakened again. At the end of the first ten days in January, they fell below their lowest point since 2008, to around \$ 32 per barrel. This trend was affected by the decision of the OPEC to abandon the strategy followed since 1992 of setting an agreed production objective. The organization thus manifested its will not to halt the fall in prices in a context where a gradual increase in supply from Iran after the lifting of international sanctions is also expected. Futures contracts indicate expectations of very limited price increases in the coming months. Non-energy commodity prices also continued to drop.

Consumer price inflation remained at very low levels in all major advanced countries. In November, the growth of consumption deflator in the United States stood at 0.5% (1.3% excluding energy and food products). The trend of prices was equal to 0.3% in Japan and was again barely positive in the United Kingdom (0.1%). As regards the major emerging countries, inflation remained low in China (1.5% in November), consistent with the objective set by the central bank in India (5.4%), still high in Russia (15%) and growing further in Brazil (10.5%).

At its meeting held on 15 and 16 December, the Federal Open Market Committee (FOMC) of the Federal Reserve decided to raise by 25 basis points the target range for the federal funds rate, thus starting the phase of normalization of monetary policy. This increase, the first since 2006, marks the exit from the zero interest rate policy that had been adopted in December 2008. The FOMC decision, widely expected since the end of October, had little impact on international financial and currency markets. The increase in reference rates was primarily motivated by the significant improvement in employment; the FOMC also noted that monetary conditions remain accommodative and will continue to promote the strengthening of the labor market and the return of inflation towards the medium term objective. The Committee anticipates a gradual increase in official rates that, according to the median judgment of its members, would rise by one percentage point in the course of 2016, against an increase in

expected rates implicit in market prices.

Among other major advanced economies, the central banks of Japan and the UK did not amend their guidelines, which remain highly expansionary; in the UK, in particular, market operators do not expect increases in official interest rates until at least June this year. Among the emerging economies, monetary policy became more expansionary in China, where the Central Bank reduced again both the compulsory reserve ratio and the reference rates on deposits and loans and injected liquidity with short-term repo operations, even to counterbalance the measures to support the exchange rate. In the other emerging countries, the reference rates were unchanged.

In the Eurozone, growth continues but remains fragile: the rapid weakening of the boost to exports has so far been gradually offset by the positive contribution from domestic demand; however, risks to economic activity derive from the uncertainty on the evolution of world economy and the geopolitical situation. Inflation remains very low, partly due to the fall in oil prices.

In the third quarter of 2015, GDP of the area rose by 0.3% over the previous period, driven by domestic demand. The greatest impulse from household spending and the positive contribution of the change in stocks more than offset the weakening of investment. Foreign trade subtracted 0.3 percentage points to GDP growth, reflecting a marked slowdown of exports in the face of a new rise in imports. GDP grew by 0.3% in Germany and France and 0.2% in Italy.

With regard to growth prospects, downside risks weigh relating to ongoing uncertainty about the conditions of demand in important target markets, particularly in emerging countries. Moreover, the intensification of geopolitical tensions, especially in the Middle East, could have a negative impact on confidence and help curb the recovery of consumption and global activities. These factors could hinder the revival of productive capital accumulation, which slowed down in the summer after the prolonged rise by mid-2014.

Based on the preliminary data, in December, inflation stood at 0.2%, below expectations; even net of the more volatile components it remained unchanged at 0.9%. The overall price index weakness continues to be affected by the negative trend in the energy component (-5.9% in December). In November, the share of elementary items increased, recording a negative change in prices; among the underlying components, the decline in prices affected 31% of the goods and only 8% of the services. In the ECB staff projections released in December, inflation would rise in 2016 to 1% (from null values in 2015), as in the expectations of analysts registered by Consensus Economics.

INTERNATIONAL FINANCIAL MARKETS

All stock exchange lists started 2015 well, reaching highest values around mid-April and then keeping a vacillating trend until the first strong reversal in early July at the intensification of the Greek crisis (referendum on the EU taxation). A further negative moment was in late August when China began to talk about slowing economy and the following month, due to the devaluation of the Renminbi and the scandal in the auto industry for the problem of emissions detected on Volkswagen vehicles in USA. Stock exchanges then went up again until the beginning of December when, both a further decline in oil prices and the victory of the right in regional elections in France, they had a negative impact on the lists.

Overall, throughout 2015 the fluctuating trends of world stock exchanges mainly resulted from the economic cycle of the various countries and their expectations for economic growth. Europe was the best area in 2015; while almost all world stock exchanges in 2015 worsened compared to 2014, European stocks did better. In fact, the Eurozone rose by +8.9% (+1.6% in 2014), with Germany (+9.6%), France (+10.2%) and Italy (+15.4%) significantly more brilliant in 2014 and Spain alone in the red (-6.2%). Europe as a whole rose by +7.8% (from +4.2% in 2014) with just the U.K. which, in addition to Spain, closed in negative.

The Japanese list also improved (+9.1% from +7.1% in 2014), as well as the Russian one (+22.3%, from -6.2% the year before, which had suffered from the Ukraine issue and the international sanctions). In the US, the main index fell slightly (S&P -0.8%) but was one of the best in 2014. The NASDAQ, however, went up by +6.0%. China significantly slowed the pace: +12.9% (from +51% in 2014). Brazil (-13.3%), Hong Kong (-6.9%) and Korea (-1.5%) closed in the red.

The gradual shift of capital from Bonds, which now have slim margins, to equity securities continued due to the decreased risk aversion of investors.

The Italian Stock Exchange, with +15.4%, was the one that increased the most in Europe and one of the best in the world; it was however one of the worst performers in 2014 (-0.3%). After three and a half months of strong growth (nearly +30%) and after touching the highest level of the year, the stock exchange had five months of sideways movement, within which there was a collapse in early July (for the Greek crisis) and a good recovery until about

mid-August, when it returned to the levels of mid-April. Later influenced by international events, Chinese slowdown and collapse of commodity prices and oil prices, it recorded a second major reversal in late August and then after ups and downs it ended 2015 at a level close to the annual average.

The trend of the BTP-Bund spread that had so much worried the country in the darkest years of the crisis has lost relevance since the reforms brought a little confidence in the country and encouraged the return of foreign investors in our markets. Thus, the spread opened the year at 132 bps, peaked on the Greek crisis at the beginning of July to 164 bps, then dropped gradually and ended the year below 100 bps, after a minimum reached in early December at 80 bps.

ECONOMY IN ITALY

In Italy, the recovery continues gradually. The boost to exports, which after having supported the activity in the last four years were affected by the weakness of the non-European markets, is gradually being replaced by that of domestic demand, especially consumption and restocking. The recovery of the manufacturing cycle is flanked by expansion signals in services and, after a prolonged decline, stabilization in construction. However, the prospects of investments are affected by uncertainty about the foreign demand. In the fourth quarter, GDP should have increased to an extent similar to that of the third one (when it grew by 0.2%).

In the summer months, the number of employees continued to grow, especially among young people and services. The re-composition of recruitment into stable contractual forms continued. The unemployment rate fell to 11.4% in October-November, the lowest level since the end of 2012, also due to the reduction of youth unemployment, although it remained at historically high levels. The expectations of businesses related to the employment picture are cautiously optimistic.

Inflation fell in December to 0.1% year on year. The expectations of households and businesses in the coming months foreshadow a modest recovery in price growth, which, however, would remain at low levels. Inflation was affected by the further decline in the prices of energy products, but also the persistence of a large margin of unused capacity, which helps keep the underlying price dynamics at minimum values.

As part of the purchase of the Eurosystem stocks, at the end of last December purchases of Italian government bonds had been carried out in an amount equal to about EUR 79 billion (of which 73 by the Bank of Italy) and with average residual life of just over nine years. Foreign investors continued to show interest in the Italian activities, slightly increasing the share of government securities held by them; Italian households gradually rebalanced their portfolios in favor of asset management.

An overall increase of 0.8% is estimated for 2015. It could grow to around 1.5% in 2016 and 2017. Inflation is expected to rise gradually to 0.3% this year and 1.2% the next year. Investments, so far characterized by a modest dynamic, could benefit from more favorable financing conditions and demand prospects and the effects of the stimulus measures introduced by the Stability Law. Expansion of consumption would be helped by the recovery of disposable income, also supported by the strengthening of the labor market.

These projections are broadly in line with those of July, but the contribution of the different factors changed: a lower impulse coming from foreign trade, led by the slowdown in emerging economies, should be replaced by a greater contribution of domestic demand and of that from the Eurozone, supported by economic policies (such as the program to purchase bonds of the Eurosystem and the measures ordered by the government) and the improvement in credit conditions.

There remain significant risks, especially including those associated to the international context, in particular the possibility of a slowdown in emerging economies which may be more pronounced and long-lasting than previously assumed and have strong repercussions on financial and currency markets. Monetary policy also has to strongly cope with the downside risks to inflation, which may arise both from a demand growth lower than expected, if the margins of unused production capacity remained at the current wide levels for an extended period, and from further declines in the prices of raw materials, if these triggered feedback effects on wage dynamics. A prerequisite for the realization of the scenario outlined here is that Italy and the Eurozone maintain the confidence of households, firms and financial companies, and that the cyclical support policies continue with determination.

ITALIAN BANKING MARKET

In autumn, the growth of loans to the private non-financial sector was strengthened. The loosening of supply criteria continued; the cost of loans to households and businesses registers historically very low levels, benefiting from the expansionary measures taken by the ECB. The gradual improvement in economic activity is reflecting favorably on

credit quality, profitability and capitalization of banks. In the three months ending in November, the growth of credit to the private non-financial sector increased (1.5% net of seasonal factors and per annum). For the first time since the end of 2011, the quarterly change in lending to firms has brought about significant positive levels (1.5%). Lending to households also accelerated. The dynamics of loans for house purchase turned positive since the summer, driven by the low level of interest rates. Loans to businesses are recovering, but with different trends between sectors of activity and by size class. The growth in loans to manufacturing companies, which is widespread among product categories, was strengthened (4% year on year in November, from 1.9%). The variation in loans to the services sector is back slightly positive, albeit dampened by the contraction of loans to companies linked to the real estate sector. The credit continued to get contracted in the construction industry (-2.3%) and in the non-manufacturing industry. The gap remains high in the pattern of loans between companies with 20 or more employees, and smaller ones (0.7% and -2.1%, respectively). The dynamics of credit to companies that do not have non-performing debts further increased.

Total deposits of Italian banks between August and November decreased following the decline in bonds and other forms of wholesale funding, which partly reflected the satisfactory cash position of intermediaries. On the contrary, deposits of residents increased slightly.

Between August and November, the average interest rate on new corporate loans remained stable at 1.9%, a historically very low level. The difference compared to the corresponding average rate in the Eurozone was canceled (it was around 100 basis points at the end of 2012), reaching slightly negative values for credit lines higher than one million Euro. The dispersion of the conditions applied to different types of borrowers remained high, although showing a reduction compared to the levels reached during the global crisis. In Italy, the gap between the cost of loans for amounts less than one million Euro and that of larger funding is still high (about 150 basis points, compared to 120 in the Eurozone). The cost of new loans to households fell by two-tenths to 2.6%; the differential with the average of the area fell to less than 30 basis points.

Following the gradual improvement in economic activity, in the third quarter the flow of new deteriorated loans in relation to existing loans, net of seasonal factors and on an annual basis, decreased to 3.6%, from 3.8 % the previous quarter (for businesses, to 5.4%, from 6.1%). The flow of new non-performing loans in relation to existing loans decreased more markedly (to 2.4%, from 2.9%), in particular for businesses (-0.8, to 3.7%), especially in the construction industry (-2.0, to 7.5%). The improvement is expected to continue in 2016, both for businesses and for households, due to the expected strengthening of the cyclical recovery.

According to the consolidated quarterly reports for the first nine months of 2015, the profitability of the five largest banking groups, although still low, increased over the same period last year: the return on capital and reserves, expressed on an annual basis, stood at 5.5% (from 2.5%). The improvement was due mainly to the growth in commission income (7.5%), mainly connected with the asset management activities, and the decrease in adjustments to loans (-24%). The gross operating income increased slightly (1.8%) and operating expenses remained almost stable. The cost-income ratio consequently fell (from 63% to 62.2%). The operating profit grew (4.1%). The capital strengthening continues. In late September the best quality capital (common equity tier 1, CET1) and the total of own funds (total capital) of the banking system were on average equal to 12.3% and 15.1% of assets weighted for risk, slightly increasing compared to the end of June.

On 22 November 2015, the Government and the Bank of Italy, in close cooperation with each other, gave solution to the crisis of four small and medium size banks in extraordinary administration, with an overall share of the domestic market of approximately 1% in terms of deposits. The measures taken ensured operating continuity and consolidation of the four banks and the maintenance of labor relations in the interest of the economy of the territories in which the institutions operate, fully protecting the savings of households and businesses held in the form of deposits and ordinary bonds. The losses accumulated over time by such banks were absorbed in the first instance by subordinate shares and bonds, as required as a precondition for the orderly resolution of banking crises in the European standards, transposed into Italian law by Legislative Decree no. 180 of 16 November 2015.

ECONOMIC TREND IN THE REPUBLIC OF SAN MARINO

The global economic crisis and in particular the contraction in the Italian market led to the crisis of the San Marino industrial production, with an impact on employment. In recent years, San Marino suffered a severe economic recession: GDP got contracted by 25% since the crisis began. However, the macroeconomic picture of San Marino shows the first signs of recovery that keep hope alive for the next future.

The International Monetary Fund, like the Rating Agency Fitch, expects 1.2% growth for San Marino in 2016, with an improvement of the outlook that goes from negative to stable. In the Final Report of the annual mission of the International Monetary Fund, the international delegation noted the significant progress made by the country to normalize international relations and get out of the recent deep recession and carried out an analysis of the strategic points on which to intervene for a further strengthening of economy. The IMF recognizes that the exit from the Italian blacklist in February 2014, the inclusion in the tax white list and the finalization of the ratification of the financial cooperation and economic partnership agreements with Italy were the determining factors in the turnaround of the San Marino economic picture. However, according to Washington experts, San Marino's macroeconomic performance remains exposed to exogenous factors of vulnerability, such as developments in relations with Italy and the limited prospects for economic growth in the Eurozone. They highlight the need to achieve a gradual stabilization of the banking system that has high portfolios of doubtful loans on bank balance sheets, grown mainly due to the reclassification of loans.

Businesses (companies, sole proprietors, freelancers, etc.) increased by 61 units, from 5,080 to 5,141 active entities, returning almost to the levels of 2013.

The index of industrial production grew, on an annual basis, by 2.15%.

The unemployment rate continued to increase, amounting at 31/12/2015 9.85% (1,611 units); the number of employees, public and private, increased slightly, from 17,998 to 18,082 units.

Residents in the Republic increased by 216 units from 32,789 as of 31/12/2014 to 33,005 as of 31/12/2015.

During 2015 the consumer price index remained broadly unchanged.

SAN MARINO FINANCIAL SYSTEM

The financial sector was made up of 22 authorized entities as of 31/12/2015, down from the previous year (as of 31/12/2014 the entities authorized by BCSM were 25). This decrease is due to liquidations of financial companies, voluntary and unfortunately compulsory. Also for 2016, further reductions are to be expected as some entities have ongoing voluntary liquidations.

It should be noted that 2015 was the year of the Voluntary Disclosure, an event that affected San Marino financial system, in terms of reduction in direct and indirect deposits. At present San Marino operators have been able to address issues related to capital outflow, but we believe that the most significant effects will be felt over the next few months.

The system aggregate data show, after a recovery in 2014, a return to lower volumes. Comparing the data at the end of 2014 with those of 30/09/2015 (latest official report), it should be noted that direct deposits decreased (5,007 million Euro at 30/09/2015 compared to 5,147 million Euro at 31/12/2014); similarly, indirect deposits also declined (1,998 million at 30/09/2015 compared to 2,202 million at 31/12/2014), so total deposits increased from 7,349 million at 31/12/2014 to 7,005 million at 30/08/2014 (-4.7%).

Loans decreased from 3,976 billion Euro at 31/12/2014 to 3,817 million at 30/09/2015 (-4%). Similarly to what happens in neighboring Italy, the problem of N.P.L. (non-performing loans) deepens more and more. The ratio of gross non-performing loans on loans increased further, after the explosion in 2014, from 18.2% at 31/12/2014 to 19.7% at 30/09/2015.

The total net assets of San Marino banks decreased from 466 million to 413 million Euro.

Below is a table showing the system aggregate data over the last five years, which helps to understand the situation of San Marino financial system.

	31/12/2011	31/12/2012	31/12/2013	31/12/2014	30/09/2015
Direct collection	5.150	4.991	5.022	5.147	5.007
Indirect collection	2.119	2.288	2.142	2.202	1.998
Total collection	7.269	7.280	7.164	7.349	7.005
Loans	3.839	4.484	4.174	3.976	3.817
Net equity	749	537	530	466	413

Source: BCSM – data in millions of Euro.

BANCA SAMMARINESE DI INVESTIMENTO

Since 2012 the Bank has been characterized as a retail bank, serving households and businesses in the region, with the aim to protect and enhance the deposits of savers, and to assist, through targeted funding, both the private and the production sectors.

In the second half of 2015, the Bank prepared a new three-year development plan for the years 2016/2018, also submitted to the competent organs of the Central Bank, with the goal of continuing to strengthen its presence on the territory of San Marino and at the same time prepare itself for the entry in potential new markets in the near future.

The sector of private banking related to banking and financial services provided to high standing customers, which represented in the past the main asset of the Bank, will be encouraged and promoted to be ready in the near future to assist customers, including foreign ones, with specific needs.

At present, the acquisition of additional shares of domestic market remains the primary objective for the next three years.

In 2016 new services will be activated such as the Corporate and the Private, for which specific dedicated resources will be assigned and new products such as online accounts, mortgage loans/leases at a fixed rate and credit cards issued directly from our institute will be provided.

To support the implementation of the three-year plan the hiring of 12 additional resources was budgeted, to be done gradually, in line with the start of planned initiatives.

Let us take a brief look at the main events of 2015.

New professionals were added to the existing company staff. Specifically, the 35 employees as of 31/12/2014 grew to 37 as of 31/12/2015 (+5.7%). It should be noted that as much as 43% of employees graduated and received their bachelor's degree. This data is much bigger than the figure expressed by San Marino financial system (29.5%).

During the first quarter of 2016, the bank employed another two resources.

Also in 2015, particular attention was paid to risk management and the internal control system, continuing the collaboration with experienced external consultants with the task of training and supporting the personnel in charge of Compliance/Inspectorate.

The Board of Directors, taking into account the still small size of the Institute and the risk of situations of incompatibility between roles, as well as the absence on the market of staff with an adequate professional profile, preferred to keep the Risk Manager function outsourced, resorting to the San Marino company San Marino Advisor Srl, which has already been working with important financial companies in the Republic. For the same reasons, it was decided to also outsource the internal audit function, entrusted to the Bologna-based company Baker Tilly Consulaudit, a leading Italian auditing firm.

Particular attention was paid to the training of personnel, who participated in training events in San Marino and Italy organized by leading companies and organizations in the industry. Moreover, in-house refresher courses were held by internal staff, professionals and external consultants, including: "Money laundering – permanent due diligence obligations, profiling, active cooperation", "Budget analysis and lending", "Discovering Business and Telepressing".

The Bank, as an active member of the financial system of San Marino, participated in a financial assistance operation in favor of the Ecc.ma Camera of the Republic of San Marino, which resulted in a total funding of EUR 32 million, aimed at covering the budget deficit in 2013 and the 2015 forecast budget, for which our participation amounted to EUR 5,333,000.

Below are the main financial and economic data.

Total deposits at the end of 2015 amounted to € 455,358,461, of which EUR 331,694,070 direct deposits and EUR 123,664,391 indirect deposits. The figure shows a growth of over EUR 46.5 million (+11%) compared to the previous year, which is clearly higher than the data recorded by the system.

As for the treasury of the Bank, as of 31/12/2015, the following cash amounts are recorded:

- a) EUR 69,212,740 arising from interbank deposits (demand and term) and currency deposits;
- b) EUR 180,729,904 from securities spread over different issuers; in particular the trading portfolio amounted to EUR 91,049,911 while investment securities amounted to EUR 89,679,993.

The total treasury amounts, therefore, to EUR 249,942,644, which is a considerable value if the size of the Bank and the current situation of the economy of San Marino are taken into account.

Investment strategies were inspired, as in the past, by prudence and diversification criteria.

On the lending side, the year 2015 saw an increase in loans to ordinary customers, which amounted to EUR 106,583,670 at year end, net of loan write-down funds (+12%). This increase was achieved thanks to the strategy adopted on credit, aimed at splitting the same, both in terms of number of positions assigned and technical forms used.

As for bad loans, as of 31/12/2015 impaired loans amounted to EUR 1,980,503, non-performing loans to EUR 3,524,397, restructured loans to EUR 3,896,691 (referring only to the so-called "Delta Group") and past due/overdue loans to EUR 289,819. The above values are net of total value adjustments amounting to EUR 3,950,625.

Among the financial indicators, we highlight the ratio of net loans and direct deposits amounting to 32.13%, the ratio of net non-performing loans and net loans equal to 3.31% and finally the R.O.E. equal to 2.84%.

The net assets of the bank as at 31/12/2015 amounted to EUR 24,397,444, growing compared to the previous year's consistency (+3%). At the same time, the net equity/balance sheet assets ratio decreased from 7.21% in 2013 to 6.42% due to the strong volume growth.

The bank does not hold any treasury shares.

The profit earned amounted to EUR 672,624, net of the various provisions made. The economic results achieved are of great satisfaction if we take into account the investment made during the year and the economic situation that affects the reference market.

Among the profit and loss account items which recorded the biggest increases we report net interest income, which rose from EUR 3,740,675 in 2014 to EUR 4,514,449 (+20.69%), commission income which increased by 36.36% from EUR 815,086 in 2014 to EUR 1,111,460. At the same time, operating costs obviously increased from EUR 3,852,909 in 2014 to EUR 4,022,866 (+4.41%).

SUBSEQUENT EVENTS

No such events occurred at a later date than December 31, 2015 as to make the current financial and economic position substantially different from the position resulting from these financial statements or as to require adjustments or supplementary notes to the financial statements.

BUSINESS OUTLOOK

The activity of the Bank will continue, as in previous years, marked by development of volumes and prudence in management. In February, it gave concrete start to the abovementioned three-year development plan, with the sale of our credit cards to the public. Currently BSI is the only bank in San Marino able to place own issue credit cards. At the same time, the Corporate Service and Private Service were activated. For the latter, an expert resource that gained significant experience at another San Marino institution was employed. The results of the first quarter of 2016 show a substantial stability in direct and indirect deposits and the volume of loans.

RECLASSIFIED STATEMENT OF ASSETS AND LIABILITIES

	31/12/2015	Impact	31/12/2014	Impact
Inter-bank loans	69.212.740	18,20%	52.412.682	15,92%
Customer loans	85.649.302	22,53%	78.910.624	23,97%
Debt and capital securities	180.729.904	47,54%	160.204.255	48,66%
Leased assets	20.934.368	5,51%	16.024.015	4,87%
AF INTEREST-BEARING ASSETS	356.526.314	93,78%	307.551.576	93,41%
Cash and cash equivalents	2.088.302	0,55%	1.270.034	0,39%
Holdings	811.848	0,21%	811.848	0,25%
Other assets	18.689.384	4,92%	17.340.632	5,27%
Accrued revenues and deferred expenses	305.500	0,08%	332.061	0,10%
ANF NON-INTEREST-BEARING ASSETS	21.895.034	5,76%	19.754.575	6,00%
Intangible fixed assets	780.401	0,21%	808.201	0,25%
Tangible fixed assets	985.995	0,26%	1.124.221	0,34%
AR REAL ASSETS	1.766.396	0,46%	1.932.422	0,59%
TOTAL ASSETS	380.187.744		329.238.573	

	31/12/2015	Impact	31/12/2014	Impact
Debts with banks	3.005.860	0,79%	1.459.611	0,44%
Debts with customers	124.039.293	32,63%	118.494.351	35,99%
Debts represented by securities	206.206.353	54,24%	163.097.001	49,54%
Subordinated liabilities	-	0,00%	3.001.705	0,91%
PO BEARING LIABILITIES	333.251.506	87,65%	286.052.668	86,88%
Other liabilities	22.028.152	5,79%	18.876.636	5,73%
Accrued expenses and deferred revenues	108.456	0,03%	115.257	0,04%
Staff retirement allowances	237.080	0,06%	228.541	0,07%
Risks and costs fund	165.106	0,04%	240.650	0,07%
PNO NON-BEARING LIABILITIES	22.538.794	5,93%	19.461.084	5,91%
Fund for general banking risk	1.500.000	0,39%	1.500.000	0,46%
Corporate capital	20.000.000	5,26%	20.000.000	6,07%
Reserves	2.224.820	0,59%	1.133.885	0,34%
Profits (Losses) for the financial year	672.624	0,18%	1.090.936	0,33%
PAT ASSETS	24.397.444	6,42%	23.724.821	7,21%
TOTAL LIABILITIES	380.187.744		329.238.573	

RECLASSIFIED PROFIT AND LOSS ACCOUNT

	31/12/2015	Var.	31/12/2014
Interests received and proceeds	10.720.198	8,49%	9.881.320
Interests paid and costs	(6.205.749)	1,06%	(6.140.645)
MI INTEREST MARGIN	4.514.449	20,69%	3.740.675
Commissions earned	1.111.460	36,36%	815.086
Commissions paid	(466.960)	51,10%	(309.042)
CN NET COMMISSIONS	644.500	27,36%	506.044
Dividends and other proceeds	301	-	-
Profits/Losses from financial operations	1.366.844	(35,37%)	2.114.860
MINT INTERMEDIATION MARGIN	6.526.094	2,59%	6.361.579
Administrative costs	(4.031.772)	7,20%	(3.760.834)
Value adjustments on intangible fixed assets	(145.970)	(19,42%)	(181.156)
Value adjustments on tangible fixed assets	(4.831.028)	22,31%	(3.949.980)
Other operating proceeds/costs	4.985.904	23,44%	4.039.061
CO OPERATING COSTS	(4.022.866)	4,41%	(3.852.909)
RG GROSS OPERATING PROFIT	2.503.228	(0,22%)	2.508.670
Value adjustments on credits	(1.114.828)	(25,68%)	(1.500.000)
Value adjustments on financial activities	(644.191)	-	-
Extraordinary proceeds/costs	(10.828)	(100,86%)	1.253.951
Variation to the fund for general banking risks	-	(100,00%)	(1.000.000)
RL PROFIT FOR THE FINANCIAL YEAR	733.381	(41,92%)	1.262.621
Financial taxes	(60.757)	(64,61%)	(171.685)
RN PROFIT FOR THE FINANCIAL YEAR	672.624	(38,34%)	1.090.936

HIGHLIGHTS AND INDICATORS

Key balance sheet figures (in EUR)

	31/12/2015	31/12/2014	31/12/2013	31/12/2012
Totale assets	380.187.744	329.238.573	255.435.926	175.791.589
Net lending	106.583.670	94.934.639	76.613.886	49.327.929
Net non-performing loans	9.699.386	8.424.740	7.168.593	6.573.251
Provision for adjustments on doubtful loans	4.242.817	4.381.359	3.071.272	2.328.107
Direct collection	331.694.070	284.727.515	215.697.939	146.560.317
Indirect collection:	196.054.465	165.677.178	117.310.468	89.111.117
- operated	72.290.232	71.404.369	55.416.355	17.264.481
- managed	123.764.233	94.272.809	61.894.113	71.846.636
Net equity	24.397.444	23.724.821	21.633.884	16.311.163

Main structural and operational highlights

	31/12/2015	31/12/2014	31/12/2013	31/12/2012
Number of employees	37	35	30	24
Counters	4	4	4	3

Main economic data (in EUR)

	31/12/2015	31/12/2014	31/12/2013	31/12/2012
Interest margin	4.514.449	3.740.675	2.449.510	1.330.766
Intermediation margin	6.526.094	6.361.579	5.892.284	3.920.148
Administrative costs	4.031.772	3.760.834	3.472.394	2.949.731
Personnel costs	2.771.900	2.593.841	2.398.424	1.937.031
Operating costs	4.022.866	3.852.909	3.561.262	2.975.066
Profit for the financial year	672.624	1.090.936	1.022.721	106.685

Structural ratios (%)

	31/12/2015	var.	31/12/2014	var.	31/12/2013	var.	31/12/2012
Direct collection / Total assets	87,24	0,76	86,48	2,04	84,44	1,07	83,37
Net lending / Total assets	28,03	(0,80)	28,83	(1,16)	29,99	1,93	28,06
Net lending / Direct collection	32,13	(1,21)	33,34	(2,18)	35,52	1,86	33,66
Managed collection / Indirect collection	36,87	(6,23)	43,10	(4,14)	47,24	27,87	19,37
Operated collection / Indirect collection	63,13	6,23	56,90	4,14	52,76	(27,87)	80,63
Net equity / Total assets	6,42	(0,79)	7,21	(1,26)	8,47	(0,81)	9,28
Net equity / Net lending	22,89	(2,10)	24,99	(3,25)	28,24	(4,83)	33,07

Indicators of the quality of credit (%)

	31/12/2015	var.	31/12/2014	var.	31/12/2013	var.	31/12/2012
Net NPLs / Net lending	3,31	0,42	2,89	2,17	0,72	(0,98)	1,70
Net problem loans / Net lending	1,86	1,40	0,46	(1,52)	1,98	(9,62)	11,60
Net doubtful credits / Net lending	9,10	0,23	8,87	(0,49)	9,36	(3,97)	13,33
Net NPLs / Net equity	14,45	2,89	11,56	8,95	2,61	(2,54)	5,15

Profitability ratios (%)

	31/12/2015	var.	31/12/2014	var.	31/12/2013	var.	31/12/2012
Interest margin / Intermediation margin	69,18	10,38	58,80	17,23	41,57	7,62	33,95
Interest margin / Interest-bearing assets	1,27	0,05	1,22	0,18	1,04	0,22	0,82
Intermediation margin / Interest-bearing assets	1,83	(0,24)	2,07	(0,44)	2,51	0,09	2,42
Administrative costs / Intermediation margin	61,78	2,66	59,12	0,19	58,93	(16,32)	75,25
Cost / Income [cost/income]	61,64	1,07	60,57	0,13	60,44	(15,45)	75,89
Net profit / (Net equity – Net profit) [R.O.E.]	2,84	(1,98)	4,82	(0,27)	5,09	4,43	0,66
Net profit / Total assets [R.O.A.]	0,18	(0,15)	0,33	(0,07)	0,40	0,34	0,06

Efficiency ratios (in thousands of EUR)

	31/12/2015	var.	31/12/2014	var.	31/12/2013	var.	31/12/2012
Total deposits per employee	14.263	1.394	12.869	1.769	11.100	1.280	9.820
Net loans per employee	2.881	169	2.712	158	2.554	499	2.055
Intermediation margin per employee	176	(6)	182	(14)	196	33	163
Average personnel costs	75	1	74	(6)	80	(1)	81
Total operating costs per employee	109	(1)	110	(9)	119	(5)	124

STATEMENT OF CASH FLOW

	2015	2014
Funds generated and collected	7.741.862	7.152.764
Profit for the financial year	672.624	1.090.936
Value adjustments on intangible fixed assets	4.976.998	4.131.136
Value adjustments on financial assets	644.191	-
Value adjustments on credits	1.114.828	1.500.000
Provision for severance pay	237.080	228.541
Provision for risks and charges	96.141	202.151
Other funds collected	50.343.553	71.730.625
Debts with banks	1.546.249	1.258.052
Debts with customers	5.544.942	28.432.925
Debts evidenced by securities	43.109.352	40.499.853
Other liabilities	3.151.516	2.835.239
Accrued expenses and deferred revenues	(6.801)	(1.297.149)
Subordinated liabilities	(3.001.705)	1.705
Variation to net equity	(1)	1.000.001
Share capital	-	-
Reserves	(1)	1
Variation of the general banking risks fund	-	1.000.000
Total funds generated and collected	58.085.414	79.883.390
Use of funds generated from management operations	400.226	449.607
Use of provisions for risks and charges	171.685	241.490
Use of the provision for severance pay	228.541	208.117
Use of other funds	-	-
Funds invested	57.685.188	79.433.783
Cash and cash equivalents	818.268	339.857
Inter-bank loans	16.800.058	3.987.257
Customer loans	7.853.506	17.494.713
Securities	21.169.840	50.051.350
Holdings	-	811.848
Tangible and intangible fixed assets	9.721.325	6.271.361
Other assets	1.348.752	2.184.602
Accrued revenues and deferred expenses	(26.561)	(1.707.205)
Total funds used and invested	58.085.414	79.883.390

Dear members, in consideration of the foregoing and of the results obtained, we invite you to approve these Financial Statements, proposing the capitalization of all income earned, subject to the provisions required.

The Board of Directors
The President

FINANCIAL STATEMENTS

BALANCE SHEET

ASSETS		31/12/2015		31/12/2014	
		Part amounts	Total amounts	Part amounts	Total amounts
10	Cash and cash equivalents		2.088.302		1.270.034
20	Inter-bank loans		69.212.740		52.412.682
	(a) sight credits	43.594.543		35.341.501	
	(b) other credits	25.618.197		17.071.181	
30	Customer loans		85.649.302		78.910.624
	(a) sight credits	65.635.279		56.363.751	
	(b) other credits	20.014.023		22.546.873	
40	Bonds and other debt securities		179.311.672		155.093.032
	(a) issued by public bodies	22.885.486		28.875.075	
	(b) issued by banks	105.612.578		87.949.127	
	(c) issued by financial institutions (companies)	25.476.061		13.974.869	
	(d) issued by other bodies	25.337.547		24.293.961	
50	Shares, quotas and other capital securities		1.418.232		5.111.223
60	Holdings		811.848		811.848
	(a) financial companies	811.848		811.848	
	(b) non-financial companies	-		-	
70	Holdings in group businesses		-		-
	(a) financial companies	-		-	
	(b) non-financial companies	-		-	
80	Intangible fixed assets		780.401		808.201
	(a) leasing	-		-	
	(b) assets to be leased	-		-	
	- of which assets resulting from annulled lease contracts	-		-	
	- of which for breach by tenant	-		-	
	(c) goodwill	-		-	
	(d) other intangible fixed assets	780.401		808.201	
90	Tangible fixed assets		21.920.363		17.148.236
	(a) leasing	20.927.213		15.921.849	
	(b) assets to be leased	7.155		102.166	
	- of which assets resulting from annulled lease contracts	7.155		102.166	
	- of which for breach by tenant	7.155		102.166	
	(c) real estate property	-		-	
	(d) other tangible fixed assets	985.995		1.124.221	
100	Subscribed share capital not paid-in		-		-
110	Owned shares and quotas		-		-
120	Other assets		18.689.384		17.340.632
130	Accrued revenues and deferred expenses		305.500		332.061
	(a) accrued revenues	187.917		215.712	
	(b) deferred expenses	117.583		116.349	
140	Total Assets		380.187.744		329.238.573

LIABILITIES AND NET EQUITY		31/12/2015		31/12/2014	
		Part amounts	Total amounts	Part amounts	Total amounts
10	Debts with banks		3.005.860		1.459.611
	(a) sight debts	3.005.860		1.459.611	
	(b) term or notice debts	-		-	
20	Debts with customers		124.039.293		118.494.351
	(a) sight debts	115.560.668		79.308.066	
	(b) term or notice debts	8.478.625		39.186.285	
30	Debts represented by securities		206.206.353		163.097.001
	(a) bonds	60.740.809		28.775.742	
	(b) certificates of deposit	145.465.544		134.321.259	
	(c) other securities	-		-	
40	Other liabilities		22.028.152		18.876.636
	- of which outstanding cheques and similar securities	1.448.424		134.458	
50	Accrued expenses and deferred revenues		108.456		115.257
	(a) accrued expenses	100.000		103.501	
	(b) deferred revenues	8.456		11.756	
60	Staff retirement allowances		237.080		228.541
70	Risks and costs funds		165.106		240.650
	(a) retirement and similar costs funds	-		-	
	(b) tax funds	60.757		171.685	
	(c) other funds	104.349		68.965	
80	Allowances for possible loan losses		-		-
90	Fund for general banking risks		1.500.000		1.500.000
100	Subordinated liabilities		-		3.001.705
110	Corporate capital		20.000.000		20.000.000
120	Issue premium		-		-
130	Reserves		2.224.820		1.133.885
	(a) ordinary reserves	444.807		226.620	
	(b) treasury stock reserves	-		-	
	(c) extraordinary reserves	280.013		88.302	
	(d) other reserves	1.500.000		818.963	
140	Revaluation reserves		-		-
150	Profits (Losses) carried forward		-		-
160	Profits (Losses) for the financial year		672.624		1.090.936
170	Total Liabilities		380.187.744		329.238.573

GUARANTEES AND COMMITMENTS

		31/12/2015		31/12/2014	
		Part amounts	Total amounts	Part amounts	Total amounts
10	Guarantees issued		1.994.430		1.621.955
	- of which:				
	(a) acceptances	75.183		40.074	
	(b) other guarantees	1.919.247		1.581.881	
20	Commitments		17.683.026		9.596.840
	- of which:				
	(a) certain to be called on	3.710.761		556.307	
	of which financial instruments	14.761		556.307	
	(b) not certain to be called on	6.148.657		5.155.174	
	of which financial instruments	5.555.000		4.259.000	
	(c) other commitments	7.823.608		3.885.359	

PROFIT AND LOSS ACCOUNT

	31/12/2015		31/12/2014	
	Part amounts	Total amounts	Part amounts	Total amounts
10 Interests received and proceeds		10.720.198		9.881.320
(a) on loans to banks	249.149		439.320	
(b) on customer loans	4.820.570		4.192.640	
(c) on debt securities	5.650.479		5.249.360	
20 Interests paid and costs		(6.205.749)		(6.140.645)
(a) on amounts due from banks	(6.055)		(12.386)	
(b) on debts with customers	(1.534.046)		(1.963.356)	
(c) on debts represented by securities	(4.665.648)		(4.164.903)	
- of which on subordinated liabilities	(3.410)		(25.092)	
30 Dividends and other proceeds:		301		-
(a) on shares, quotas and other variable income	-		-	
(b) on holdings	301		-	
(c) on holdings in group businesses	-		-	
40 Commissions earned		1.111.460		815.086
50 Commissions paid		(466.960)		(309.042)
60 Profits (Losses) from financial operations		1.366.844		2.114.860
70 Other operating proceeds		4.985.904		4.039.061
80 Other operating costs		-		-
90 Administrative costs:		(4.031.772)		(3.760.834)
(a) labour costs	(2.771.900)		(2.593.841)	
- wages and salaries	(1.866.486)		(1.759.443)	
- pension contributions	(571.699)		(556.388)	
- retirement allowances	(237.080)		(228.541)	
- severance indemnity-related costs	-		-	
- administrators and mayors	(69.816)		(32.694)	
- other personnel expenses	(26.819)		(16.775)	
(b) other administrative costs	(1.259.872)		(1.166.993)	
100 Value adjustments on intangible fixed assets		(145.970)		(181.156)
110 Value adjustments on tangible fixed assets		(4.831.028)		(3.949.980)
120 Provisions for risks and costs		-		-
130 Provisions to allowances for possible loan losses		-		-
140 Value adjustments on credits and provisions for guarantees and commitments		(1.878.140)		(1.500.000)
150 Value recoveries on credits and provisions for guarantees and commitments		763.312		-
160 Value adjustments on financial assets		(644.191)		-
170 Value recoveries on financial assets		-		-
180 Profits (Losses) on ordinary activities		744.209		1.008.670
190 Extraordinary proceeds		291.745		1.513.197
200 Extraordinary costs		(302.573)		(259.246)
210 Extraordinary Profits (Losses)		(10.828)		1.253.951
220 Income tax for the financial year		(60.757)		(171.685)
230 Variation to the Fund for general banking risks		-		(1.000.000)
240 Profits (Losses) for the financial year		672.624		1.090.936

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

Section A - ACCOUNTING PRINCIPLES

The Financial Statements for the year ended as at 31/12/2015 have been prepared in accordance with the provisions of the Regulation no. 2008-02 about the preparation of the financial statements of banks issued on 23 September 2008 (and updated on 2 February 2015) by the Central Bank of the Republic of San Marino, pursuant to article 39 of Law no. 165 of 17 November 2005.

The financial statements comprise the Statement of Assets and Liabilities, the statement of Guarantees and Commitments, the Profit and Loss Account and the Explanatory Notes. They are completed by the Board of Directors' report on management, the Board of Auditors' report and the Auditing Firm's report.

The financial statements have been prepared with clarity and truthfully and correctly represent the asset and financial situation and the net profit.

The figures are expressed in units of Euro and are compared with those of the previous year. Moreover, the provisions issued by the Central Bank, Supervision Division, have been adopted.

The sum of the differences due to the rounding of items is recorded under "other assets/liabilities" for the Statement of Assets and Liabilities and under "extraordinary income/expenses" for the Profit and Loss Account.

The various entries in the financial statements correspond to the company's accounts which have been drawn up in correspondence to the administrative transactions that occurred during the year.

The true and fair representation is carried out in accordance with legal provisions; in the case of an exception, the reasons and the relative influence on the representation of the balance sheet and economic outturn are explained in the notes.

In order to improve the level of clarity and accuracy of the financial statements, the accounts have been drawn up by favoring, where possible, substance over form. In order to allow a representation of the financial situation closer to actual financial movements of items in the bank's balance sheet, the accounts "above the line" are prepared by favoring, where possible, the time of settlement of the transactions over contracting.

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

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

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

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.

Inter-bank loans

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. 40 "Bonds and other fixed income securities" and are booked at their estimated realizable value.

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

Customer loans

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 40 "Bonds and other fixed-income securities".

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 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.

More specifically:

- *Non-performing loans*: include 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.

- *Impaired loans*: are loans to borrowers suffering temporary difficulties, which are likely to be overcome in an acceptable period of time. They are valued on an analytical basis. Furthermore, by virtue of Regulation no. 2008/02, impaired loans now also include loans that have fallen due and have not been repaid, even only partially, as follows:

3 six-monthly instalments or 5 quarterly instalments for loans with an original term exceeding 36 months

2 six-monthly instalments or 3 quarterly instalments for loans with a term equal to or less than 36 months

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

7 instalments for loans with a term exceeding 36 months

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

- *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.

- *Restructured loans to ex Delta Group*: refer to all loans subject to the Delta Group restructuring agreement, pursuant to article 182 bis of Italian Bankruptcy Law. Given the specific nature of the exposures in question ("Plusvalore Spa" and "Carifin Italia Spa", both companies are in liquidation), these loans do not fall within any of the categories under Regulation no. 2008/02 and therefore, a special category has been created in the Explanatory Notes.

- *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 is made by decreasing the value booked in the statement of 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 have been made in accordance with Regulation no. 2008/02 of the CBSM on the preparation of financial statements of banks.

Stocks, shares and other capital financial instruments

This item includes all financial instruments having the nature of trading capital securities (stocks and shares). It also comprises CIUs.

Shareholdings

This item includes all investments, represented or not by securities, in the capital of other companies, creating a long-term relationship with the bank.

Investment portfolio

The financial instruments in the investment portfolio, including all financial instruments intended to be held for a long term by the bank (up to maturity, except in exceptional events), listed and unlisted, are valued at purchase cost. They are written down in the event of any lasting deterioration in the debt repayment ability of the issuer, as well as of the related country risk. These write-downs will be eliminated once the causes that gave rise to them no longer subsist. The same evaluation criteria mentioned above are applied to financial instruments, listed and not listed on regulated markets, representing "off-balance sheet" operations related to the investment portfolio, apply the same evaluation criteria mentioned above.

The multi-year accrued income and/or expenses are detected depending on the result obtained from the difference between the book cost and the nominal redemption value divided by the remaining life of the security.

Trading portfolio

This portfolio includes all securities held for investment but having trading purposes to meet treasury and trading needs. The financial instruments in the trading portfolio, listed and not listed on regulated markets, are valued at marked cost. For listed securities, the market value is represented by the listed value. For unlisted securities, the market value is determined based on the value of similar listed and unlisted instruments or, where that is not possible, on the basis of reasonable estimates.

The determination of the value of trading securities is made with reference to the value determined at the balance sheet date.

Capital gains and losses, arising from the comparison between the market value at the date of December 31, 2015 with the last book values, have been recorded in the profit and loss account.

Intangible fixed assets

Intangible fixed assets are recorded at the original purchase cost, adjusted directly with the depreciation made, systematically, based on the estimated residual life. The rate of annual ordinary depreciation is 20%. As regards intangible fixed assets related to contracts, depreciation has been calculated based on the duration of the latter.

Tangible fixed assets

Tangible fixed assets are recorded 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 Captains Regent Decree no. 3 of 20 January 1986, 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.

It should be noted that on 18/05/2012 with letter Prot. N. 5584, the Tax Office of the Republic of San Marino authorized the request of the bank to use depreciation rates equivalent to half of the ordinary rate in relation to all durable goods acquired during the year to strengthen the technical infrastructure of the Institute, thus taking into account the actual useful life of assets.

Leasing

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

The instalments accrued during the year are entered under item no. 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 "Tangible fixed asset adjustments" for the part regarding the capital, for the same amount with a neutral effect on the operating result.

Assets and liabilities in foreign currency

Assets and liabilities denominated in foreign currency and off-balance sheet transactions are recognized at the spot exchange rate in effect at year end, according to art. III.II.6 of Regulation no. 2008/02. The effect of such valuation is recorded 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, if such regards spot transactions which have not been settled or forward transactions to “hedge” spot transactions. In the latter case, the differentials between forward exchange rate and spot exchange rate of the expiring contracts are recorded in the profit and loss account on an accrual basis and include the interests generated by covered assets and liabilities: this is to be recorded in the profit and loss account item 10-20 “Interest income (expenses) and similar revenues (charges)”.

“Off-balance sheet” transactions (other than those on currencies)

Off-balance sheet transactions are recognized according to the same criterion adopted for assets/liabilities recorded in the financial statements, depending on whether these are posted as fixed assets or current assets. Any trading contracts for securities (spot or forward) which have not been settled at year end are valued using criteria that are consistent with those adopted for value portfolio securities.

Debts with banks

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

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.

Such items are recorded at par value.

Debts with customers

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

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.

Such items are recorded at par value.

Payables represented by financial instruments

Payables represented by financial instruments are recorded at par 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.

“Repurchasing agreements” on securities with customers, require the obligation for the transferee to sell back the securities of the operation, are shown as “Amounts due to customers b) term or notice” and are recorded at the “spot” value, while the underlying securities are represented in asset postings under 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.

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 expenses.

In compliance with the amendments made to article IV.I.13 of the Regulation, the bank directly adjusts the asset accounts or liability accounts, 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.

Severance

The item shows the total amount of severance pay shares for all the employees of the bank.

Provisions for risks and charges

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

They mainly include:

- provisions made to cover tax liabilities, calculated on the basis of a realistic forecast of the tax burden, in relation to the tax regulations in force;
- provisions to cover possible liabilities of which the exact amount or date of occurrence is not known.

General banking risk reserve

The function of this item General banking risk reserve is to cover general business risks to which the bank is exposed. Being similar to a capital reserve, it is a positive component of the basic regulatory capital base (see

article VII.II.2 of Regulation no. 2007/07). The balance of the allocations and withdrawals (net change) recorded by the fund during the year is recorded, with the appropriate algebraic sign, under item 230 of the profit and loss account "Variation in the general banking risk fund". Therefore, the constitution, replenishment and utilization of the fund cannot take place when allocating the profit for the year.

Guarantees

This item includes all the personal guarantees presented by the bank as well as the assets provided as guarantee for third-party obligations.

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 given and commitments are recorded as follows:

- deposit and loan contracts based on the amount to be paid;
- irrevocable lines of credit based on the residual usable amount;
- other commitments and guarantees based on the value of the contractual commitment undertaken by the bank.

Section 2 - Adjustments and provisions

No provisions and value adjustments were made solely for tax purposes.

Section B - INFORMATION ON THE STATEMENT OF ASSETS AND LIABILITIES

Cash and cash equivalents

Table 1.1 | Composition of item 10 "Cash and cash equivalents"

	31/12/2015		31/12/2014		Amount	Variations %
Banknotes and coins in Euros	2.069.598		1.155.261		914.337	79,15%
Foreign currency cash	17.204		114.773		(97.569)	(85,01%)
Other	1.500		-		1.500	-
Total	2.088.302		1.270.034		818.268	64,43%

The item 10 "Cash and cash equivalents" includes all banknotes and coins in Euros and foreign currency available at the four branches of the Bank.

Inter-bank loans

Table 2.1 | Composition of item 20 "Inter-bank loans"

	31/12/2015		31/12/2014		Amount	Variations %
	Euros	Currency	Euros	Currency		
Sight credits	40.593.036	3.001.507	33.177.437	2.164.064	8.253.042	23,35%
- Current accounts for performed services	22.559.480	3.001.507	6.753.347	2.164.064	16.643.576	186,64%
- Current accounts	-	-	-	-	-	-
- Other	18.033.556	-	26.424.090	-	(8.390.534)	(31,75%)
Other credits	24.610.963	1.007.234	16.167.096	904.085	8.547.016	50,07%
- Term deposits	24.610.963	1.007.234	16.167.096	904.085	8.547.016	50,07%
- Current accounts	-	-	-	-	-	-
- Repos and reverse repos	-	-	-	-	-	-
- Other	-	-	-	-	-	-
Total	65.203.999	4.008.741	49.344.533	3.068.149	16.800.058	32,05%

The item 20 "Inter-bank loans" includes all amounts due from banks, regardless of their technical form, with the exception of loans represented by securities which are returned to item 40 of assets. These credits are shown at their estimated realizable value.

The item "Sight credits" includes all current accounts and demand deposits held with other foreign and San Marino banks in Euro and in foreign currency.

Table 2.2 | Composition of cash credits to banks

	31/12/2015			31/12/2014		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
Doubtful loans	-	-	-	-	-	-
- Non-performing loans	-	-	-	-	-	-
- Substandard loans	-	-	-	-	-	-
- Restructured loans	-	-	-	-	-	-
- Past due / overrun loans	-	-	-	-	-	-
- Unsecured loans to countries at risk	-	-	-	-	-	-
Performing loans	69.212.740	-	69.212.740	52.412.682	-	52.412.682

Total	69.212.740	-	69.212.740	52.412.682	-	52.412.682
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The credits shown under “Performing loans” are considered collectable and therefore no further adjustments have been made.

Table 2.3 | Changes in doubtful loans to banks

	Non-performing loans	Substandard loans	Restructured loans	Past due / overrun loans	Unsecured loans to countries at risk
Opening gross exposure	-	-	-	-	-
of which for past-due interests	-	-	-	-	-
Increases	-	-	-	-	-
- Inflow from loans	-	-	-	-	-
- Past-due interests	-	-	-	-	-
- Other increases	-	-	-	-	-
Decreases	-	-	-	-	-
- Outflow to loans	-	-	-	-	-
- Write-offs	-	-	-	-	-
- Collections	-	-	-	-	-
- Arising from sales	-	-	-	-	-
- Other decreases	-	-	-	-	-
Closing gross exposure at 31/12/2015	-	-	-	-	-
of which for past-due interests	-	-	-	-	-

Table 2.4 | 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
Opening total adjustments	-	-	-	-	-	-
Increases	-	-	-	-	-	-
- Value adjustments	-	-	-	-	-	-
of which for past-due interests	-	-	-	-	-	-
- Utilization of allowance for possible loan losses	-	-	-	-	-	-
- Transfers from other categories of loans	-	-	-	-	-	-
- Other increases	-	-	-	-	-	-
Decreases	-	-	-	-	-	-
- Value recoveries from valuation	-	-	-	-	-	-
of which for past-due interests	-	-	-	-	-	-
- Value recoveries from collection	-	-	-	-	-	-
of which for past-due interests	-	-	-	-	-	-
- Write-offs	-	-	-	-	-	-
- Transfers from other categories of loans	-	-	-	-	-	-
- Other decreases	-	-	-	-	-	-
Closing total adjustments at 31/12/2015	-	-	-	-	-	-
of which for past-due interests	-	-	-	-	-	-

Table 2.5 | Composition of “Inter-bank loans” according to residual life

	31/12/2015	31/12/2014
Sight	54.205.456	43.508.597

From 1 day to 3 months	10.000.051	3.000.000
From 3 months to 6 months	-	3.000.000
From 6 months to 1 year	4.000.000	2.000.000
From 1 year to 18 months	-	-
From 18 months to 2 years	-	-
From 2 years to 5 years	-	-
5 years +	-	-
No term	1.007.233	904.085
Total	69.212.740	52.412.682

The residual life corresponds to the time interval between the date of the financial statements and the contractual maturity of each transaction. In the case of bound operations, the deadline does not exceed 6 months. The security deposit to guarantee the operations of prepaid credit cards was brought under the item "No term".

Customer loans

Table 3.1 | Composition of item 30 "Customer loans"

	31/12/2015		31/12/2014		Variations	
	Euros	Foreign currency	Euros	Foreign currency	Amount	%
Sight / non-revolving loans	65.634.924	355	56.363.410	341	9.271.528	16,45%
- Current accounts	18.939.449	355	15.260.710	341	3.678.753	24,11%
- Other	46.695.475	-	41.102.700	-	5.592.775	13,61%
Other loans	20.014.023	-	22.413.772	133.101	(2.532.850)	(11,23%)
- Current accounts	2.101.742	-	6.330.488	-	(4.228.746)	(66,80%)
- Discounted portfolio and subject to collection	9.443.622	-	9.525.245	-	(81.623)	(0,86%)
- Repos and reverse repos	-	-	-	-	-	-
- Other loans	8.468.659	-	6.558.039	133.101	1.777.519	26,57%
Total	85.648.947	355	78.777.182	133.442	6.738.678	8,54%

The item 30 "Customer loans" is the collection of credits arising from loan agreements entered into with customers, whatever is their technical form, and are stated at their estimated realizable value.

The items "Current accounts (sight/other)" include the summation of the debt balances on current accounts, including interest, in the form of current account according to the maturity of the loan itself.

The items "Other", "Discounted portfolio and subject to collection" and "Other loans" include credits arising from financing import / export transactions, open positions for portfolio advances, mortgage relationships with amortization schedule, grants and doubtful loans.

Table 3.2 | Secured customer loans

	31/12/2015		31/12/2014		Variations	
					Amount	%
From mortgages	22.221.853		17.871.805		4.350.048	24,34%
From pledges on	1.147.322		4.249.146		(3.101.824)	(73,00%)
- Cash deposits	883.686		3.183.845		(2.300.159)	(72,24%)
- Securities	162.206		1.063.169		(900.963)	(84,74%)
- Other valuables	101.430		2.132		99.298	4657,50%
From guarantees by	26.257.220		23.576.980		2.680.240	11,37%
- States	-		3.941.293		(3.941.293)	(100,00%)
- Other government bodies	-		-		-	-
- Banks	-		-		-	-
- Other financial companies	-		-		-	-
- Other issuers	26.257.220		19.635.687		6.621.533	33,72%

Total	49.626.395	45.697.931	3.928.464	8,60%
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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 3.3 | Composition of cash credits to customers

	31/12/2015			31/12/2014		
	Gross exposure	Overall total adjustments	Net exposure	Gross exposure	Overall total adjustments	Net exposure
Bad and doubtful loans	13.650.011	3.950.625	9.699.386	12.417.555	3.992.815	8.424.740
of which from financial leases	300.166	29.484	270.682	211.004	22.673	188.331
- Non-performing loans	6.124.859	2.600.462	3.524.397	5.601.578	2.859.761	2.741.817
of which from financial leases	8.535	855	7.680	134.361	10.054	124.307
- Substandard loans	2.975.929	995.426	1.980.503	579.981	142.888	437.093
of which from financial leases	291.631	28.629	263.002	12.518	38	12.480
- Restructured loans	4.236.167	339.476	3.896.691	5.733.164	965.469	4.767.695
of which credits to ex Gruppo Delta	4.236.167	339.476	3.896.691	4.613.498	854.645	3.758.853
of which from financial leases	-	-	-	37.500	11.250	26.250
- Past due / overrun loans	305.056	15.237	289.819	493.163	24.658	468.505
of which from financial leases	-	-	-	26.625	1.331	25.294
- Unsecured loans to countries at risk	8.000	24	7.976	9.669	39	9.630
Performing loans	97.176.476	292.192	96.884.284	86.898.443	388.544	86.509.899
of which from financial leases	20.826.190	62.479	20.763.711	16.040.787	80.204	15.960.583
Total	110.826.487	4.242.817	106.583.670	99.315.998	4.381.359	94.934.639

The table shows the situation of cash credits for each category of credit, as dictated by Art. I.I.2 of Regulation no. 2007-07. The table also includes credit deriving from financial leases; therefore, the final net exposure coincides with the sum of items no. 30 “Customer loans”, no. 80 “Intangible fixed assets” (a + b) and no. 90 “Tangible fixed assets” (a + b).

The write-backs for general risks on credits equal 0.3% of the same credits. The institute proceeded to the classification of receivables claimed to the ex Gruppo Delta among the restructured loans giving specific reports by creating the appropriate sub-item.

Table 3.4 | Changes in bad and doubtful loans to customers

	Non-performing loans	Substandard loans	Restructured loans	Past due / overrun loans	Unsecured loans to countries at risk
Opening gross exposure	5.601.578	579.981	5.733.164	493.163	9.669
of which for past-due interests	68.519	1.997	14	267	-
Increases	5.797.672	4.407.593	90.064	1.019.751	430.037
- Inflow from performing loans	1.673.593	2.145.264	-	312.343	13
- Past-due interests	47.580	9.969	72	1.052	-
- Other increases	4.076.499	2.252.360	89.992	706.356	430.024
Decreases	5.274.391	2.011.645	1.587.061	1.207.858	431.706
- Outflow to loans	-	4.144	15.824	4.886	-
- Write-offs	1.485.580	-	-	1.494	-
- Collections	772.215	1.706.483	625.674	883.439	431.706
- Arising from sales	-	-	-	-	-
- Other decreases	3.016.596	301.018	945.563	318.039	-
Closing gross exposure at 31/12/2015	6.124.859	2.975.929	4.236.167	305.056	8.000
of which for past-due interests	63.999	6.143	-	307	-

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.

During 2015, the Institute has revised in full all amounts receivable in an analytical way, providing for their reclassification taking into account the risk involved.

Table 3.5 | 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
Opening total adjustments	2.859.761	142.888	965.469	24.658	39	388.544
Increases	2.810.459	1.001.087	-	16.953	9	100.548
- Value adjustments	1.265.932	922.227	-	15.579	9	100.532
of which for past-due interests	12.502	-	-	-	-	-
- Utilization of allowance for possible loans	-	-	-	-	-	-
- Transfers from other categories of loans	93.594	78.279	-	684	-	16
- Other increases	1.450.933	581	-	690	-	-
Decreases	3.069.758	148.549	625.993	26.374	24	196.900
- Value recoveries	235.435	-	527.877	-	-	-
of which for past-due interests	-	-	-	-	-	-
- Value recoveries from collection	175.130	18.734	6.033	952	-	2.352
of which for past-due interests	33	-	-	-	-	-
- Write-offs	1.485.580	-	-	1.494	-	1.730
- Transfer to other categories of loans		79.184	65.772	14.922	-	12.696
- Other decreases	1.173.613	50.631	26.311	9.006	24	180.122
Closing total adjustments at 31/12/2015	2.600.462	995.426	339.476	15.237	24	292.192
of which for past-due interests	62.764	-	-	-	-	-

This table shows the changes that occurred during the year in the amount of the total value adjustments on cash. The value recoveries shown under the section “non-performing loans” refer to a previous position (devalued 100%) for which our securities have been judicially privileged; the value recoveries shown under the section “restructured loans” were calculated from the updates of the Operational Plan for the Restructuration of Gruppo Delta.

Table 3.6 | Composition of “Customer loans” according to residual life

	31/12/2015	31/12/2014
Sight	23.819.916	20.010.910
From 1 day to 3 months	15.838.080	13.236.553
From 3 months to 6 months	6.440.248	4.798.101
From 6 months to 1 year	4.126.590	8.226.859
From 1 year to 18 months	4.053.632	3.726.269
From 18 months to 1 year	3.840.189	3.535.110
From 2 years to 5 years	15.293.197	14.920.599
5 years +	28.811.318	23.636.823
No term	4.360.500	2.843.415
Total	106.583.670	94.934.639

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.

Table 3.7 | Composition of “Loans to customers” (net values) by economic activity sector

	31/12/2015	31/12/2014
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Government and public sector	5.317.001	2.835.750
Financial companies	3.929.848	3.800.676
Non-financial companies	63.111.613	56.246.863
- industry	26.698.286	21.649.103
- building	5.002.515	3.546.203
- services	31.410.648	31.051.330
- other	164	227
Families	34.104.219	31.977.666
Other	120.989	73.684
Total	106.583.670	94.934.639

Bonds and other debt securities and shares, quotas and other capital securities

Table 4.1 | Composition of investment and trading securities

	Investment	Trading
Bonds and other debt securities	89.679.993	89.631.679
- issued by public bodies	14.168.148	8.717.338
- issued by banks	54.106.243	51.506.335
- issued by financial institutions	12.630.974	12.845.087
- issued by other bodies	8.774.628	16.562.919
Shares, quotas and other capital securities	-	1.418.232
Total at 31/12/2015	89.679.993	91.049.911

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

The trading portfolio consists of securities held for trading and/or maintained for the cash requirements. The investment portfolio, as required by law, is valued at purchase or transfer value from another portfolio, while the trading portfolio is valued at its market value.

Table 4.2 | Composition of investment securities

	31/12/2015		31/12/2014	
	Book Value	Market Value	Book Value	Market Value
Debt securities	89.679.993	86.469.462	40.168.496	40.291.649
- Bonds	89.679.993	86.469.462	40.168.496	40.291.649
listed	76.288.528	73.809.651	33.552.045	33.847.973
unlisted	13.391.465	12.659.811	6.616.451	6.443.676
- Other debt securities	-	-	-	-
listed	-	-	-	-
unlisted	-	-	-	-
Capital securities	-	-	-	-
- listed	-	-	-	-
- unlisted	-	-	-	-
Total	89.679.993	86.469.462	40.168.496	40.291.649

Investment securities are composed of bonds issued by sovereign states and banks for about 80%, the remaining part consists of bonds issued by private companies in which a stake is held by the States.

Table 4.3 | Annual variations to investment securities

	31/12/2015	31/12/2014
Opening balance	40.168.496	37.374.111

Increases	69.786.883	19.339.612
- Purchases	23.677.373	3.868.846
of which debt securities	23.677.373	3.868.846
- Value recoveries	-	-
- Transfers from trading portfolio	43.032.038	13.243.011
- Other variations	3.077.472	2.227.755
Decreases	20.275.386	16.545.227
- Sales	2.000.000	15.325.452
of which debt securities	2.000.000	15.325.452
- Redemptions	2.555.500	-
- Value adjustments	644.191	-
of which lasting devaluations	644.191	-
- Transfers to trading portfolio	13.273.056	574.548
- Other variations	1.802.639	645.227
Closing balance	89.679.993	40.168.496

In order to achieve a proper management policy and in particular to reduce and optimize the strong imbalance between deposit volumes and reduced loans, as provided for by article IV.V.1 of BCSM Regulation no. 2008-02, it should be noted that the following actions were carried out during the year:

- investment securities were sold in advance for a total of about 2 million Euros: this transfer generated extraordinary positive income components amounting to about 0,075 million Euros.
- securities were transferred from the free portfolio to the investment portfolio for a total of about 43 million Euros: in the absence of such transfer, the value of the securities would have been, as of 31/12/2015, down by about 0,6 million Euros.
- securities were transferred from the investment portfolio to the free portfolio for a total of about 13 million Euros di euro: this transfer did not generate any variation in the profit and loss account

Table 4.4 | Composition of “Trading securities”

	31/12/2015	31/12/2014
	Market Value	Market Value
Debt securities	89.631.679	114.924.536
- Bonds	89.631.679	114.924.536
listed	72.323.062	105.071.486
unlisted	17.308.617	9.853.050
- Other debt securities	-	-
listed	-	-
unlisted	-	-
Capital securities	1.418.232	5.111.223
- listed	1.418.232	5.111.223
- unlisted	-	-
Total	91.049.911	120.035.759

Table 4.5 | Annual variations to “Trading securities”

	31/12/2015	31/12/2014
Opening balance	120.035.759	72.778.794
Increases	382.682.369	291.923.205
- Purchases	363.421.255	283.878.190
of which debt securities	302.495.686	258.796.717
of which capital securities	60.925.569	25.081.473
- Value recoveries and revaluations	982.950	2.138.228
- Transfers from investment portfolio	13.273.056	574.548

- Other variations	5.005.108	5.332.239
Decreases	411.668.217	244.666.240
- Sales and redemptions	363.814.608	228.727.348
of which debt securities	298.886.506	204.536.618
of which capital securities	64.928.102	24.190.730
- Value adjustments and revaluations	1.764.963	2.014.707
- Transfers to investment portfolio	43.032.038	13.243.011
- Other variations	3.056.608	681.174
Closing balance	91.049.911	120.035.759

The valuation of investment securities is based on market value as at 31/12/2015. The effect of such a method is described under items "Writebacks and revaluations" and "Value adjustments and devaluations" in the table above.

Transactions on own shares

Table 5.1 | Composition of corporate shares

	Number of shares	% on the capital	Nominal value	Negotiation amount
Values at 31/12/2014	-	-	-	-
Purchases	-	-	-	-
Sales	-	-	-	-
Values at 31/12/2015	-	-	-	-
				Profit/Loss
Negotiation profit/loss on own shares				-

In 2015 no repurchase and sale transactions of own shares were carried out under the corporate portfolio.

Holdings

Table 6.1 | Holdings

Denominations	Headquarters	Activity performed	Net equity	Profit / Loss	Share %	Book Value
Companies of the banking group						
No investment						
Other subsidiaries						
No investment						
Other investee companies						
S.P.A. Central Bank of the Republic of San Marino	Via del Voltone, 120 (San Marino)	Bank	81.361.159	293.890	1,00%	811.848

Table 6.2 | Comparison between net equity variation and cost valuation

Denomination	Activity performed	Share capital	Share %	Net equity share (a)	Book value share (b)	Comparison s (a) – (b)
S.P.A. Central Bank of the Republic of San Marino	Bank	12.911.425	1,00%	813.615	811.848	1.767

Table 6.3 | Composition of item 60 "Holdings"

	31/12/2015	31/12/2014
In banks	811.848	811.848
- listed	-	-
- unlisted	811.848	811.848

In other financial companies	-	-
- listed	-	-
- unlisted	-	-
Other	-	-
- listed	-	-
- unlisted	-	-
Total	811.848	811.848

Table 6.4 | Annual changes of item 60 "Holdings"

	31/12/2015
Opening balance	811.848
Increases	-
- Purchases	-
- Writebacks	-
- Revaluations	-
- Other changes	-
Decreases	-
- Sales	-
- Value adjustments	-
of which permanent writedowns	-
- Other changes	-
Closing balance	811.848
Total revaluations	-
Total adjustments	-

Table 6.5 | Annual variations of item 70 "Holdings in group companies"

	31/12/2015
Opening balance	-
Increases	-
- Purchases	-
- Writebacks	-
- Revaluations	-
- Other changes	-
Decreases	-
- Sales	-
- Value adjustments	-
of which permanent writedowns	-
- Other changes	-
Closing balance	-

Table 6.6 | "Assets and liabilities to holdings" of item 60

	31/12/2015
Assets	
- loans to banks	32.110.135
of which subordinate	-
- loans to other financial companies	-
of which subordinate	-
- loans to other companies	-

of which subordinate	-
- bonds and other debt financial instruments	-
of which subordinate	-
Liabilities	
- debts to banks	-
- debts to other financial companies	-
- debts to other companies	-
- subordinated liabilities	-
Guarantees and commitments	
- guarantees given	-
- commitments	-

Table 6.7 | Assets and liabilities to holdings in group companies (item 70)

	31/12/2015
Assets	
- loans to banks	-
of which subordinate	-
- loans to other financial companies	-
of which subordinate	-
- loans to other companies	-
of which subordinate	-
- bonds and other debt financial instruments	-
of which subordinate	-
Liabilities	
- debts to banks	-
- debts to other financial companies	-
- debts to other companies	-
- subordinated liabilities	-
Guarantees and commitments	
- guarantees given	-
- commitments	-

Intangible fixed assets

Table 7.1 | Changes of item 80 "Intangible fixed assets"

	31/12/2015	Leased assets	Assets to be leased	of which assets resulting from annulled lease contracts for breach by tenant	Start-up costs
Opening balance	808.201	-	-	-	-
Increases	118.615	-	-	-	-
- Purchases	118.615	-	-	-	-
- Value recoveries	-	-	-	-	-
of which for credit rating	-	-	-	-	-
- Revaluations	-	-	-	-	-
- Other variations	-	-	-	-	-
Decreases	146.415	-	-	-	-
- Sales	-	-	-	-	-
- Value adjustments	145.970	-	-	-	-
of which depreciations	145.970	-	-	-	-

of which lasting devaluations	-	-	-	-	-
of which for credit rating	-	-	-	-	-
- Other variations	445	-	-	-	-
Closing balance at 31/12/2015	780.401	-	-	-	-

The table above shows the changes in intangible fixed assets recorded in the balance sheet at their acquisition cost, net of accumulated depreciation.

The item "Purchases" is mainly composed of all expenses connected with software implementation.

Tangible fixed assets

Table 8.1 | Description and changes of item 90 "Tangible fixed assets"

	31/12/2015	Leased assets	Assets to be leased	of which assets resulting from annulled lease contracts for breach of tenant	Real estate	Other tangibles
Opening balance	17.148.236	15.921.849	102.166	102.166	-	1.124.221
Increases	12.226.860	12.182.212	8.257	8.257	-	36.391
- Purchases	10.620.793	10.584.402	-	-	-	36.391
- Value recoveries	2.510	2.203	307	307	-	-
of which for credit rating	2.510	2.203	307	307	-	-
- Revaluations	1.595.254	1.595.254	-	-	-	-
- Other variations	8.303	353	7.950	7.950	-	-
Decreases	7.454.733	7.176.848	103.268	103.268	-	174.617
- Sales	1.470.258	1.367.785	102.473	102.473	-	-
- Value adjustments	4.831.822	4.656.410	795	795	-	174.617
of which depreciations	4.831.027	4.656.410	-	-	-	174.617
of which lasting devaluations	-	-	-	-	-	-
of which for credit rating	795	-	795	795	-	-
- Other variations	1.152.653	1.152.653	-	-	-	-
Closing balance at 31/12/2015	21.920.363	20.927.213	7.155	7.155	-	985.995

The table shows the changes in tangible fixed assets recorded in the balance sheet at their acquisition cost, net of accumulated depreciation.

The item "Purchases" is mainly connected with the acquisition of new assets leased to third parties for financial leasing contracts.

Other assets

Table 9.1 | Composition of item 120 "Other assets"

	31/12/2015	31/12/2014
Maintenance margins	-	-
Premiums paid for options	-	-
Others	18.689.384	17.340.632
- Effects received from correspondent banks	1.252.498	1.163.522
- Effects from SBF customers	11.637.393	10.685.341
- Effects after collection from customers	2.285.509	1.501.847
- Illiquid effects	1.828.046	2.298.033
- Transitional accounts-items to be settled	116.753	138.772
- I.G.R. advances and withholding of the Tax Office	521.399	538.328
- Anticipated taxes as per Art. 40 Law no. 150/2012	1.014.639	1.014.639
- Other items	33.147	150

Total	18.689.384	17.340.632
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Table 9.2 | Composition of item 130 “Accrued revenues and deferred expenses”

	31/12/2015	31/12/2014
Accrued revenues	187.917	215.712
- on loans and grants	-	-
- on foreign transactions	-	34.875
- on banks	66.592	111.027
- on securities	-	-
- on leasing transactions	-	525
- on other transactions	121.325	69.285
Deferred expenses	117.583	116.348

With particular reference to this item, it should be noted that for the year 2015 the Bank, where possible, adjusted upwards or downwards the asset accounts to which accrued revenues and deferred expenses refer, pursuant to Art. IV.I.13 of Regulation no. 2008-02 of the Central Bank.

Debts with banks

Table 10.1 | Description of item 10 “Debts with banks”

	31/12/2015		31/12/2014		Variations	
	Euros	Foreign Currency	Euros	Foreign Currency	Amount	%
Sight debts	3.005.860	-	1.459.611	-	1.546.249	105,94%
- Current accounts overdrafts	503.717	-	198.109	-	305.608	154,26%
- Demand deposits	2.502.143	-	1.261.502	-	1.240.641	98,35%
- Other	-	-	-	-	-	-
Term or notice debts	-	-	-	-	-	-
- Current accounts overdrafts	-	-	-	-	-	-
- Time deposits	-	-	-	-	-	-
- Repos and reverse repos	-	-	-	-	-	-
- Other loans	-	-	-	-	-	-
Total	3.005.860	-	1.459.611	-	1.546.249	105,94%

The table shows the debts that the Bank has towards San Marino and foreign banks.

Table 10.2 | Composition of debts with banks according to residual life

	31/12/2015	31/12/2014
Sight	3.005.860	1.459.611
From 1 day to 3 months	-	-
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	-	-
5 years +	-	-
No term	-	-
Total	3.005.860	1.459.611

Please note that “residual life” means the time interval between the date of the financial statements and the contractual maturity of each transaction.

As can be seen, the Bank does not have debts to other banks other than those relating to the ordinary operation.

Debts with customers

Table 11.1 | Composition of item 20 “Debts with customers”

	31/12/2015		31/12/2014	
	Euros	Foreign Currency	Euros	Foreign Currency
Sight debts	111.365.689	4.194.979	75.259.936	4.048.130
- Current accounts overdrafts	110.874.646	4.194.979	74.822.051	4.048.130
- Sight savings deposits	371.991	-	319.744	-
- Other	119.052	-	118.141	-
Term or notice debts	8.478.625	-	39.157.519	28.766
- Time deposits	-	-	-	-
- Time savings deposits	-	-	-	-
- Repos and reverse repos	5.239.801	-	34.898.519	-
- Other funds	3.238.824	-	4.259.000	28.766
Total	119.844.314	4.194.979	114.417.455	4.076.896

The table shows all debts with customers regardless of their technical form, except those represented by financial instruments which are brought back to item 30 of Liabilities.

Table 11.2 | Composition of debts with customers according to residual life

	31/12/2015	31/12/2014
Sight	115.560.668	79.308.065
From 1 day to 3 months	224.750	861.057
From 3 months to 6 months	5.169.896	10.984.085
From 6 months to 1 year	3.083.979	26.511.144
From 1 year to 18 months	-	150.000
From 18 months to 2 years	-	680.000
From 2 years to 5 years	-	-
5 years +	-	-
No term	-	-
Total	124.039.293	118.494.351

The table shows that the amounts due to customers have a maximum expiration date of 2 years.

Funds

Table 12.1 | Changes of item 60 “Staff retirement allowances”

	31/12/2015	31/12/2014
Opening balance	228.541	208.117
Increases	237.080	228.541
- Provisions	237.080	228.541
- Other variations	-	-
Decreases	228.541	208.117
- Utilization	228.541	208.117
- Other variations	-	-
Closing balance	237.080	228.541

As required by law, the Staff Retirement Allowances is paid annually to all employees. Accordingly, the balance at

the end of 2015 coincides with the relative share of the current year to be settled within the next year.

Table 12.2 | Composition of item 70 “Risks and costs funds”

	31/12/2015	31/12/2014
Taxes and fees fund	60.757	171.685
Fund for post-employment benefits and similar obligations	-	-
Other funds	104.349	68.965
- Fund for paid and unused leave	104.349	68.965
Total	165.106	240.650

The amount of the tax liability will be partially compensated through the use of deferred tax assets in accordance with the rules set by Art. 40 of the Finance Act 2013 (no. 150/2012).

Table 12.3 | Composition of “Tax reserves”

	31/12/2015	31/12/2014
Opening balance	171.685	210.801
Increases	60.757	171.685
- Provisions	60.757	171.685
- Other variations	-	-
Decreases	171.685	210.801
- Utilization	171.685	210.801
- Other variations	-	-
Closing balance	60.757	171.685

Table 12.4 | Changes of sub-item c) “Other provisions”

	31/12/2015	31/12/2014
Opening balance	68.965	69.188
Increases	35.384	30.466
- Provisions	35.384	30.466
- Other variations	-	-
Decreases	-	30.689
- Utilization	-	30.689
- Other variations	-	-
Closing balance	104.349	68.965

The table shows the variations of the “Annual leave payments” during 2015.

Table 12.5 | Changes of item 80 “Funds for possible loan losses”

	31/12/2015	31/12/2014
Opening balance	-	-
Increases	-	-
- Provisions	-	-
- Other variations	-	-
Decreases	-	-
- Utilization	-	-
- Other variations	-	-
Closing balance	-	-

Other liabilities

Table 13.1 | Composition of item 40 “Other liabilities”

	31/12/2015	31/12/2014
Maintenance margins	-	-
Premiums received for options	-	-
Other	22.028.152	18.876.636
- Cheques in circulation	1.448.424	134.458
- Transferor of SBF effects	14.963.975	14.147.512
- Transferor of after-collection effects	3.137.953	2.277.423
- Due to tax office	900.192	549.011
- Transitional accounts and items to be settled	269.473	611.610
- Other creditors	1.308.135	1.156.622
Total	22.028.152	18.876.636

The sub-item “Due to Tax Office” includes the liabilities against the State relating to withholdings made on interests, premiums and other income granted by the Bank as required by the relevant Tax Law; it also includes debts for single-phase tax and withholding tax on income from employment.

The sub-item “Other creditors” is composed as follows:

	Amount
Supplier invoices to be received	58.752
Payables to I.S.S.	72.021
Payables to F.S.S.	2.314
Payables to C.S.U.	450
Employees payroll account	174.242
Payables to suppliers	673.821
Amounts in favour of third parties	326.535
Total sub-item	1.308.135

Table 13.2 | Composition of item 50 “Accrued expenses and deferred revenues”

	31/12/2015	31/12/2014
Accrued expenses	100.000	103.501
Deferred revenues	8.456	11.756

Please note that the bank has directly adjusted the increased or decreased liability accounts to which accrued expenses and deferred revenues relate as provided by Art. IV.I.13 of Regulation no. 2008-02 of the Central Bank. “Deferred revenues” mainly refer to advance payments and fees on endorsement loans.

Corporate capital, Reserves, Issue premium, Subordinated liabilities, Fund for general banking risks and Profit for the financial year

Table 14.1 | Composition of item 90 “Fund for general banking risks”

	31/12/2015	31/12/2014
Opening balance	1.500.000	500.000
Inflow in the financial year	-	1.000.000
Utilization in the financial year	-	-
Closing balance	1.500.000	1.500.000

In 2015, the Fund was not used.

Table 14.2 | Composition of item 100 “Subordinated liabilities”

	31/12/2015	31/12/2014	Amount	Variations %
Subordinated liabilities	-	3.001.705	(3.001.705)	(100,00%)

In 2015, all subordinated bonds expired and were reimbursed.

Table 14.3 | Composition of item 110 “Corporate capital or endowment fund”

	31/12/2015	31/12/2014	Amount	Variations %
Number of shares	20.000	20.000	-	-
Nominal value	1.000	1.000	-	-
Corporate capital	20.000.000	20.000.000	-	-

Table 14.4 | Composition of item 120 “Issue premium”

	31/12/2015	31/12/2014	Amount	Variations %
Issue premiums	-	-	-	-

Table 14.5 | Composition of item 130 “Reserves”

	31/12/2015	31/12/2014	Amount	Variations %
Ordinary reserve	444.807	226.620	218.187	96,28%
Extraordinary reserve	280.013	88.302	191.711	217,11%
Reserve for own transactions	-	-	-	-
Other reserves	1.500.000	818.963	681.037	83,16%
Total	2.224.820	1.133.885	1.090.935	96,21%

On May 7, 2015, the Shareholders Meeting approved the allocation of all profits deriving from the year 2014 as follows:

- EUR 218.187: “Ordinary reserve” as per statute;
- EUR 872,749: “Other reserves”.

Table 14.6 | Composition of item 150 “Profits (Losses) carried forward”

	31/12/2015	31/12/2014	Amount	Variations %
Profits (Losses) carried forward	-	-	-	-

Table 14.7 | Composition of item 160 “Profit (Loss) for the financial year”

	31/12/2015	31/12/2014	Amount	Variations %
Profit (Loss) for the financial year	672.624	1.090.936	(418.312)	(38,34%)

Table 14.8 | Variation to net equity in the last 4 years

	31/12/2015	31/12/2014	31/12/2013	31/12/2012
Corporate capital	20.000.000	20.000.000	20.000.000	16.200.000
Uncalled capital	-	-	-	-
Issue premium	-	-	-	-

Ordinary reserve	444.807	226.620	22.075	738
Other reserves	1.780.013	907.265	89.088	3.740
Operating performance	672.624	1.090.936	1.022.721	106.685
Profits (Losses) carried forward	-	-	-	-
Fund for general banking risks	1.500.000	1.500.000	500.000	-
Total	24.397.444	23.724.821	21.633.884	16.311.163

Table 14.9 | Table of net equity variations

	Value at 31/12/2014	Profit allocation	Other variations	Profit for the financial year	Value at 31/12/2015
Fund for general banking risks	1.500.000	-	-	-	1.500.000
Corporate capital	20.000.000	-	-	-	20.000.000
Issue premiums	-	-	-	-	-
Reserves:	1.133.885	1.090.936	(1)	-	2.224.820
a) ordinary reserve	226.620	218.187	-	-	444.807
b) extraordinary reserve	88.302	190.925	786	-	280.013
c) other reserves	818.963	681.824	(787)	-	1.500.000
Profit (Loss) for the financial year	1.090.936	(1.090.936)	-	672.624	672.624
Total Net Equity	23.724.821	-	(1)	672.624	24.397.444

Please find below the summary of the key events that have characterized the variation of the net equity during the financial year:

- allocation of the profits deriving from the financial year 2014 for capital reserves, for a total value of EUR 1.090.936 as established by the Shareholders Meeting on May 7, 2015.

Revaluation reserves

Table 15.1 | Composition of item 140 "Revaluation reserves"

	31/12/2015	31/12/2014	Amount	Variations %
Revaluation reserves	-	-	-	-

Prudential aggregates

Table 16.1 | Prudential aggregates

	Amount - %
Regulatory capital	
- Basic assets	23.617.043
- Supplementary assets	(680.229)
- Elements to be deducted	2.100.981
- Assets for supervisory purposes	20.835.833
Assets at risk and capital adequacy ratio	
- Weighted risks assets	159.124.914
- Assets for supervisory purposes/Weighted risks assets	13,09%

Guarantees and Commitments

Table 17.1 | Composition of "Guarantees issued"

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	31/12/2015	31/12/2014	Amount
Endorsment credits of a trade nature	1.529.691	1.233.786	295.905
Endorsment credits	464.739	388.169	76.570
Assets pledged as collateral security	-	-	-
Total	1.994.430	1.621.955	372.475

Table 17.2 | Composition of credit commitments

	31/12/2015	31/12/2014	Amount	Variations
				%
Credit commitments of a trade nature	1.529.691	1.233.786	295.905	23,98%
- Acceptances	75.183	40.074	35.109	87,61%
- Guarantees and endorsements	1.003.188	944.353	58.835	6,23%
- Strong comfort letter	-	-	-	-
- Other	451.320	249.359	201.961	80,99%
Credit commitments of a financial nature	464.739	388.169	76.570	19,73%
- Acceptances	-	-	-	-
- Guarantees and endorsements	440.239	388.169	52.070	13,41%
- Strong comfort letter	-	-	-	-
- Other	24.500	-	24.500	-
Total	1.994.430	1.621.955	372.475	22,96%

Table 17.3 | Loan guarantees to assume the debts

None.

Table 17.4 | Margin loans on credit lines

	31/12/2015	31/12/2014
A) Central banks	-	-
b) Other banks	-	-
Total	-	-

Table 17.5 | Composition of "Spot commitments"

	31/12/2015	31/12/2014	Amount	Variations
				%
Commitments to grant finance certain to be called on	-	-	-	-
of which commitments for financing to be granted	-	-	-	-
Commitments to exchange financial instruments certain to be called on	-	-	-	-
Commitments to grant finance not certain to be called on	593.657	896.174	(302.517)	(33,76%)
of which passive margins usable on credit lines	593.657	896.174	(302.517)	(33,76%)
of which put option issued	-	-	-	-
Commitments to exchange financial instruments not certain to be called on	5.555.000	4.259.000	1.296.000	30,43%
Other commitments	-	-	-	-
Total	6.148.657	5.155.174	993.483	19,27%

The item "Commitments to grant finance not certain to be called on" includes the available margins on lines of credit granted by the Bank.

Table 17.6 | Composition of "Forward commitments"

	Coverage	Negotiations	Other transactions
Trades	8.241.000	3.293.369	-
- Financial instruments	-	14.761	-
purchases	-	7.370	-
sales	-	7.391	-
- Currencies	8.241.000	3.278.608	-
currency against currency	-	-	-
purchases against EUR	3.696.000	-	-
sales against EUR	4.545.000	3.278.608	-
Deposits and loans	-	-	-
- to be given	-	-	-
- to be received	-	-	-
Derivative contracts	-	-	-

The item "Trades" includes all outstanding off-balance transactions at year-end related to contracts of sale that have been not settled yet. The contracts involving the exchange of two currencies have been shown reporting the currency to be purchased only.

Table 17.7 | Derivatives

Operation Category	Coverages	Negotiations	Other operations
1. Derivative contracts	-	-	-
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:	-	-	-
a) Currencies	-	-	-
- currency against currency	-	-	-
- purchases against EUR	-	-	-
- sales against EUR	-	-	-
b) Other values	-	-	-
- purchases	-	-	-
- sales	-	-	-

Table 17.8 | Credit derivatives

Operation Category	Negotiations	Other operations
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	-	-

Concentration and distribution of assets and liabilities

Table 18.1 | Major risks

			Variations	
	31/12/2015	31/12/2014	Amount	%
Amount	29.253.540	22.185.861	7.067.679	31,86%
Number	9	7	2	28,57%

Table 18.2 | Risks with related parties

			Variations	
	31/12/2015	31/12/2014	Amount	%
Amount	9.968.182	8.675.900	1.292.282	14,90%
Number	8	10	(2)	(20,00%)

Table 18.3 | Distribution of customer loans for main debtor categories

	Total	Sight	From 1 day to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 18 months	From 1 year to 18 months	From 18 months to 2 years	From 18 months to 2 years	From 2 years to 5 years	From 2 years to 5 years	More than 5 years	More than 5 years	No term
						F	V	F	V	F	V	F	V	
ASSETS														
Inter-bank loans	69.212.740	54.205.456	10.000.051	-	4.000.000	-	-	-	-	-	-	-	-	1.007.233
Customer loans	106.583.670	23.819.916	15.838.080	6.440.248	4.126.590	410.716	3.642.916	352.740	3.487.449	916.623	14.376.574	136.193	28.675.125	4.360.500
Bonds and other debt securities	179.311.672	-	7.352.572	9.860.549	13.986.305	15.247.714	-	2.569.347	9.619.510	35.525.234	15.727.766	30.234.165	39.188.510	-
Off-balance sheet operations	7.838.350	7.830.979	7.371	-	-	-	-	-	-	-	-	-	-	-
LIABILITIES														
Debts with banks	3.005.860	3.005.860	-	-	-	-	-	-	-	-	-	-	-	-
Debts with customers	124.039.293	115.560.668	224.750	5.169.896	3.083.979	-	-	-	-	-	-	-	-	-
Debts represented by securities:														
- bonds	60.740.809	-	-	-	-	-	-	30.039.345	-	30.701.464	-	-	-	-
- certificates of deposit	145.465.544	1.262.799	48.185.708	42.651.079	35.399.582	8.464.710	-	7.355.186	-	2.146.480	-	-	-	-
- other securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities: cheques in circulation	1.448.424	1.448.424	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet operations	7.838.350	7.830.979	7.371	-	-	-	-	-	-	-	-	-	-	-

This table shows a time cross-section of the remaining life of the asset and liability items included in the balance sheet. The column "No term" shows the doubtful credits for which no relevant temporal allocation has been found.

Suspence accounts

Table 19.1 | Suspence accounts

	31/12/2015	31/12/2014
Asset management	72.290.232	71.404.369
- Customer asset management	72.290.232	71.404.369
of which cash	11.981.074	9.834.402
of which debt securities issued by the reporting institution	11.981.074	9.834.402
of which debt securities	53.621.658	51.440.082
of which debt securities issued by the reporting institution	735.000	355.000
of which capital securities and OIC shares	6.687.500	10.129.885
of which cash deposited at the reporting institution	-	-
- Portfolios managed by third parties	-	-
Securities custody and management	300.747.354	252.020.313
- Deposited third parties securities	123.764.233	94.272.809
of which owned issued securities (debts)	59.674.000	31.386.000

of which owned issued securities (equities)	17.800.000	17.800.000
of which third parties securities deposited with third parties	45.105.213	41.145.871
- Owned securities deposit with third parties	176.983.121	157.747.504
Securities and other values related to the custodian bank's activity	-	-
- Cash	-	-
of which cash deposited by the reporting institution	-	-
- Debt securities	-	-
of which debt securities issued by the reporting institution	-	-
- Capital securities, OIC shares, other financial instruments	-	-
of which capital securities issued by the reporting institution	-	-
- Assets other than financial instruments and cash	-	-

The item "Deposited third-party securities" of which financial tools and other securities issued by the bank (equity securities)" also includes some owned securities for a value of EUR 17.800.000.

Table 19.2 | Assets under the control of a trustee

	31/12/2015	31/12/2014
A. Assets		
A.1 Cash	-	-
A.2 Credits	-	-
A.3 Securities	-	-
A.3.1 Debt securities	-	-
A.3.2 Capital securities	-	-
A.3.3 OIC	-	-
A.3.4 Other	-	-
A.4 Holdings	-	-
A.5 Other financial activities	-	-
A.6 Real estate	-	-
A.7 Registered assets	-	-
A.8 Other assets and services	-	-
Total Trust Assets	-	-
B. Liabilities		
B.1 Debts	-	-
B.2 Other liabilities	-	-
Total Trust Liabilities	-	-
C. Management proceeds and expenses		
C.1 Proceeds connected with trusted assets	-	-
C.2 Expenses connected with trusted assets	-	-
Difference between proceeds and expenses	-	-

Section C - INFORMATION ON THE STATEMENT OF EARNINGS

Interests

Table 20.1 | Composition of item 10 "Interests received and proceeds"

	31/12/2015	31/12/2014	Amount	Variations %
On inter-bank loans	249.149	439.320	(190.171)	(43,29%)

- Current accounts	124.746	320.070	(195.324)	(61,03%)
- Deposits	124.403	119.250	5.153	4,32%
- Other loans	-	-	-	-
of which on financial leases	-	-	-	-
On customer loans	4.820.570	4.192.640	627.930	14,98%
- Current accounts	1.161.752	1.281.457	(119.705)	(9,34%)
- Deposits	-	-	-	-
- Other loans	3.658.818	2.911.183	747.635	25,68%
of which on financial leases	815.940	611.644	204.296	33,40%
On debt securities from banks	-	-	-	-
- Certificates of deposit	-	-	-	-
- Bonds	-	-	-	-
- Other securities	-	-	-	-
On debt securities from customers (other issuers)	5.650.479	5.249.360	401.119	7,64%
- Bonds	5.650.479	5.249.360	401.119	7,64%
- Other securities	-	-	-	-
Total	10.720.198	9.881.320	838.878	8,49%

The general increase of the items listed above is mainly due to the increase in the number of customers and to the increase in the market share, that are both connected with a successful business strategy.

Table 20.2 | Composition of item 20 “Interests paid and costs”

	31/12/2015	31/12/2014	Amount	Variations
				%
On debts with banks	6.055	12.386	(6.331)	(51,11%)
- Current accounts overdrafts	6.055	884	5.171	584,95%
- Deposits	-	11.502	(11.502)	(100,00%)
- Other debts	-	-	-	-
On debts with customers	1.534.046	1.963.356	(429.310)	(21,87%)
- Current accounts overdrafts	767.749	917.211	(149.462)	(16,30%)
- Deposits	127.145	65.876	61.269	93,01%
- Other debts	639.152	980.269	(341.117)	(34,80%)
On debts represented by securities with banks	-	-	-	-
of which on certificates of deposit	-	-	-	-
On debts represented by securities with customers	4.662.238	4.139.811	522.427	12,62%
of which on certificates of deposit	3.385.717	4.114.504	(728.787)	(17,71%)
On subordinated liabilities	3.410	25.092	(21.682)	(86,41%)
Total	6.205.749	6.140.645	65.104	1,06%

Despite the increase of customers, the “Interests paid and costs” are almost unvaried due to a proper management of interest rates.

Dividends and other revenues

Table 21.1 | Composition of item 30 “Dividends and other revenues”

	31/12/2015	31/12/2014	Amount	Variations %
On shares, quotas and other capital financial instruments	-	-	-	-
On holdings	301	-	301	-
On holdings in bank group companies	-	-	-	-
Total	301	-	301	-

The dividend refers to the only holding of the Central Bank of the Republic of San Marino.

Commissions

Table 22.1 | Composition of item 40 “Commissions earned”

	31/12/2015	31/12/2014	Amount	Variations %
Guarantees issued	22.591	18.622	3.969	21,31%
Credit derivatives	-	-	-	-
Investment services:	153.230	71.470	81.760	114,40%
- receipt and transmission of orders (let. D 1 enc.1 LISF)	137.479	58.463	79.016	135,16%
- execution of orders (let. D2 enc.1 LISF)	15.751	13.007	2.744	21,10%
- management of securities portfolio (let. D4 enc.1 LISF)	-	-	-	-
- placement of securities (let.D5 and D6 enc.1 LISF)	-	-	-	-
Consultancy services	-	-	-	-
Distribution of third-party services and products other than placement:	201.479	129.347	72.132	55,77%
- asset management	201.479	129.347	72.132	55,77%
- insurance products	-	-	-	-
- other services or products	-	-	-	-
Collection and payment services	363.704	269.547	94.157	34,93%
Custodian bank services	-	-	-	-
Securities custody and management	37.624	44.430	(6.806)	(15,32%)
Trust services	10.249	20.189	(9.940)	(49,23%)
Operation of tax services and treasury	-	-	-	-
Currency transactions	42.782	32.519	10.263	31,56%
Other services	279.801	228.962	50.839	22,20%
Total	1.111.460	815.086	296.374	36,36%

Table 22.2 | Composition of item 50 “Commissions paid”

	31/12/2015	31/12/2014	Amount	Variations %
Guarantees received	-	390	(390)	(100,00%)
Credit derivatives	-	-	-	-
Investment services:	246.552	118.994	127.558	107,20%
- receipt and transmission of orders (let. D 1 enc.1 LISF)	-	-	-	-
- execution of orders (let. D2 enc.1 LISF)	78.996	21.930	57.066	260,22%

- management of securities portfolios (let. D4 enc.1 LISF):	167.556	97.064	70.492	72,62%
own portfolio	25.805	13.186	12.619	95,70%
third-party portfolio	141.751	83.878	57.873	69,00%
- placement of securities (let. D5 and D6 enc.1 LISF)	-	-	-	-
Door-to-door sale of financial instruments, products and services	-	-	-	-
Collection and payment services	118.175	92.224	25.951	28,14%
Other services	102.233	97.434	4.799	4,93%
Total	466.960	309.042	157.918	51,10%

Profits and losses from financial operations

Table 23.1 | Composition of item 60 “Profits (Losses) from financial operations”

	Securities transactions	Currency transactions	Other transactions
Revaluations	982.950		-
Write-downs	1.764.962		-
Other profits / losses (+/-)	2.248.237	(99.381)	-
Total by operative division	1.466.225	(99.381)	-
of which Government securities	683.593		
of which Other debt-based financial instruments	473.090		
of which Capital financial instruments	309.542		
of which Contracts derived from financial instruments	-		

The items “Revaluations” and “Writedowns” include the capital gains and losses recognized on the value of securities in the trading portfolio at 31/12/2015. The item “Other profits/losses” includes the profits and losses deriving from negotiation and trading of financial instruments and from transactions involving the purchase and sale of currencies other than the Euro.

Administrative costs

Table 24.1 | Number of employees by category

	Average	Number as at 31/12/2015	Number as at 31/12/2014
Senior managers	12	12	12
Managers	2	2	2
Remaining personnel	22	23	21
- office employees	22	23	21
- other personnel	-	-	-
Total	36	37	35

As a result of the development plan, the employed personnel increased of 2 units, bringing the total number of employees from 35 at the end of the year 2014 to the current number of 37. The workforce consists of 12 directors (1 general manager, 3 deputy general managers and 8 officials responsible for the operational areas and branches), 2 managers and 22 employees. 70% of current employees are male while the remaining 30% are female.

Table 24.2 | Composition of sub-item “b) Other administrative expenses”

				Variations
	31/12/2015	31/12/2014	Amount	%
Services	253.115	202.691	50.424	24,88%
Consumable materials	44.384	67.414	(23.030)	(34,16%)
Rental expenses	167.342	162.404	4.938	3,04%
Network service fees	335.489	275.640	59.849	21,71%
Insurance	57.709	70.504	(12.795)	(18,15%)
Maintenance and repair	29.922	36.911	(6.989)	(18,93%)
Utilities and service fees	91.517	83.377	8.140	9,76%
Supervisory and associative burdens	178.935	136.250	42.685	31,33%
Taxes and duties	15.708	13.613	2.095	15,39%
Other general expenses	85.751	118.189	(32.438)	(27,45%)
Total	1.259.872	1.166.993	92.879	7,96%

The item under consideration, which has remained almost unchanged in comparison with the previous year despite the significant increase in the number of customers, demonstrates a proper policy of costs management and monitoring.

Adjustments, write-backs and provisions

Table 25.1 | Composition of items 100-110 “Value adjustments on tangible and intangible fixed assets”

				Variations
	31/12/2015	31/12/2014	Amount	%
Value adjustments on intangible fixed assets	145.970	181.156	(35.186)	(19,42%)
- Software	67.745	108.989	(41.244)	(37,84%)
- Multi-year fees	78.225	72.167	6.058	8,39%
Value adjustments on tangible fixed assets	4.831.028	3.949.980	881.048	22,31%
- Furniture	45.991	61.903	(15.912)	(25,70%)
- Systems and technical equipment	83.247	82.270	977	1,19%
- Electronic office devices	36.226	29.815	6.411	21,50%
- Vehicles	9.154	9.154	-	-
- Good in leasing	4.656.410	3.766.838	889.572	23,62%
Total	4.976.998	4.131.136	845.862	20,48%

The difference compared to the previous financial year is due to the value adjustments on the purchase of new capital equipment to carry out the banking activity in addition to the net value of the assets held under finance leases reported in items 80 and 90 of Assets in the Balance Sheet. The latter will not have an impact in the operating result as they will be offset from registration under the item 70 “Other operating income” of the part of capital relating to finance lease.

Table 25.2 | Composition of item 120 “Provisions for risks and charges”

				Variations
	31/12/2015	31/12/2014	Amount	%
Provisions for risks and charges	-	-	-	-
a) Pension funds	-	-	-	-
b) Tax provisions	-	-	-	-
c) Other funds	-	-	-	-
Total	-	-	-	-

Table 25.3 | Composition of item 130 “Allowances for possible loan losses”

			Variations	
	31/12/2015	31/12/2014	Amount	%
Allowances for possible loan losses	-	-	-	-

Table 25.4 | Composition of item 140 “Value adjustments on credits and provisions for guarantees and commitments”

			Variations	
	31/12/2015	31/12/2014	Amount	%
Value adjustments on credits	1.878.140	1.500.000	378.140	25,21%
of which lump-sum adjustments for country risk	-	-	-	-
of which other lump-sum adjustments	-	-	-	-
Provisions for guarantees and commitments	-	-	-	-
of which lump-sum adjustments for country risk	-	-	-	-
of which other lump-sum provisions	-	-	-	-
Total	1.878.140	1.500.000	378.140	25,21%

With a view to controlling and managing, to cover the insolvency risk, the Bank made prudent provisions based on presumable realizable value.

Table 25.5 | Different types of movements of the financial year

	31/12/2015		31/12/2014		Variations
	Analytical	Lump sum	Analytical	Lump sum	%
Total cash credit write-downs	389.336	-	1.310.088	-	-
- Non-performing loans	389.336	-	1.310.088	-	-
- Substandard loans	-	-	-	-	-
- Other loans	-	-	-	-	-
Total losses on cash credits	1.488.804	-	189.912	-	-
- Non-performing loans	1.485.580	-	145.218	-	-
- Substandard loans	-	-	-	-	-
- Other loans	3.224	-	44.694	-	-
Total cash value adjustments	1.878.140	-	1.500.000	-	-
Total advances on guarantees and commitments	-	-	-	-	-
- Guarantees	-	-	-	-	-
- Commitments	-	-	-	-	-
Total	1.878.140	-	1.500.000	-	-

Table 25.6 | Composition of item 150 “Value adjustments and provisions for guarantees and commitments”

			Variations	
	31/12/2015	31/12/2014	Amount	%
Writebacks	763.312	-	763.312	-
of which on non-performing loans	235.435	-	235.435	-
of which on substandard loans	-	-	-	-
of which on other credits	527.877	-	527.877	-

Table 25.7 | Composition of item 160 “Value adjustments on fixed financial assets”

				Variations
	31/12/2015	31/12/2014	Amount	%
Value adjustments	644.191	-	644.191	-
of which on investments	-	-	-	-
of which on investments in group companies	-	-	-	-
of which on other equity instruments	-	-	-	-
of which on debt instruments	644.191	-	644.191	-
of which on derivative financial instruments	-	-	-	-

Table 25.8 | Composition of item 170 “Value recoveries on fixed financial assets”

				Variations
	31/12/2015	31/12/2014	Amount	%
Value recoveries	-	-	-	-
- of which on investments	-	-	-	-
- of which on investments in group companies	-	-	-	-
- of which on other equity instruments	-	-	-	-
- of which on debt instruments	-	-	-	-
- of which on derivative financial instruments	-	-	-	-

Other items in the profit and loss account

Table 26.1 | Composition of item 70 “Other operating proceeds”

				Variations
	31/12/2015	31/12/2014	Amount	%
Proceeds for recovery expenses	290.438	272.226	18.212	6,69%
Other proceeds lease principal	4.695.465	3.766.835	928.630	24,65%
Total	4.985.903	4.039.061	946.842	23,44%

As shown in the footnote to Table 25.1, this item includes the share capital of the finance lease payments accrued during the financial year, which is the greater impact part of this item.

Table 26.2 | Composition of item 80 “Other management expenses”

				Variations
	31/12/2015	31/12/2014	Amount	%
Other management expenses	-	-	-	-

Table 26.3 | Composition of item 190 “Extraordinary proceeds”

				Variations
	31/12/2015	31/12/2014	Amount	%
Extraordinary proceeds	291.745	1.513.197	(1.221.452)	(80,72%)
Total	291.745	1.513.197	(1.221.452)	(80,72%)

The above item also includes gains on disposal of investment securities for EUR 253.953, non-operating income for EUR 12.649 and other extraordinary proceeds for EUR 25.143.

Table 26.4 | Composition of item 200 “Extraordinary costs”

	31/12/2015	31/12/2014	Amount	Variations
				%
Extraordinary liabilities and contingent assets	302.573	259.246	43.327	16,71%
Total	302.573	1.513.197	(1.210.624)	(80,00%)

The item is characterized by losses on investment securities for EUR 251.162 and for EUR 51.411 by other non-deductible expenses.

Section D - OTHER INFORMATION

Directors and statutory auditors

Table 27.1 | Remuneration

	31/12/2015	31/12/2014	Amount
Directors	39.000	-	39.000
Statutory auditors	30.816	32.694	(1.878)
Total	69.816	32.694	37.122

Other information

None.

