



BSI

banca sammarinese
di investimento

Financial Statements
Year 2019

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Financial Statements

Year 2019



CORPORATE OFFICIERS AS OF 31/12/2019

S.P.A. BANCA SAMMARINESE DI INVESTIMENTO

Registered Office and Headquarters

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Website www.bsi.sm

Email info@bsi.sm

Share Capital 21.500.000 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

Giuseppe Dini	Chairman
Emanuel Colombini	Directors
Simona Michelotti	
Paolo Mularoni	
Ferdinando Novara	

Board of Auditors

Alfredo Amici	Chairman
Marco Cevoli	Standing Auditors
Alessandro Olei	

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

BIC SWIFT

BSDISMSDXXX

ABI 03287 CAB 09801

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BOARD OF DIRECTORS' REPORT ON MANAGEMENT

MACROECONOMIC SCENARIO

In 2019, the global economy was affected by numerous negative factors that also weakened the world trade outlook. Several risk factors weighed heavily on the expansion of international economic activity: the import duty policy launched by some countries and the fluctuating trend of trade negotiations between the United States and China, the exacerbation of financial tensions in emerging countries, uncertainties about future UK's moves following its recent exit from the European Union (Brexit).

In December, the United States and China reached a preliminary trade agreement for a future broader discussion of the economic relations between the two countries. The agreement averted the increases in US tariffs initially scheduled for mid-December and halved those introduced in September; the Chinese government undertook to increase imports of agricultural and energy goods from the United States and offered guarantees regarding the protection of intellectual property and the exchange rate policy. The agreement eased the economic tensions between the two countries that had been in place since the beginning of 2018, but the duties in force remain on the whole much higher than two years ago. At the end of 2019, the US Congress approved the new trade agreement between the United States, Mexico and Canada (USMCA), which replaces the 1994 one (NAFTA), making the rules on the origin of products and production standards in the automotive sector more restrictive.

As for the major advanced economies, consumer prices grew around 2% in the United States and to an even lesser extent in other areas of the world. Long-term inflation expectations derived from returns on the financial markets remained fairly stable in the United States (around 1.8%).

In the third quarter of 2019, GDP in the United States and Japan grew at rates similar to those of the previous period, while in the United Kingdom it rose again. The assessments made by purchasing managers suggest that the cyclical phase is still unfavorable in the manufacturing sector in the fourth quarter.

The slowdown affecting the **manufacturing sector** hindered trade, which declined sharply compared to the solid growth occurred two years ago. Trade in goods has declined since the beginning of summer.

In Europe, the powerful German drive came to a standstill, threatening the establishment of recession several times. The weak global demand and the upsetting of the **automotive industry** laid the foundations for a collapse that dragged the German economy down.

In some regards, the situation in Asia was similar to Europe's, with a mix of global weakness and specific sector problems. Semiconductors, instead of automobiles, worsened the problem in countries like **South Korea** and **Taiwan**, although some recent data suggest better prospects. Added to this is a **slowdown in China**, which had repercussions throughout the region. This country remains in the spotlight due to the crisis in the automotive sector, a decrease in industrial profits, an alarm over the risk of default by private companies and a drop in exports.

Below is a table that summarizes the global macroeconomic situation with a comparison on the last few years.

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Year 2019

Areas and countries	Gross domestic product (percent change)				Gross domestic product (percent values on world GDP)				Current account balance (percentage of GDP)			
	2017	2018	2019	2020	2017	2018	2019	2020	2017	2018	2019	2020
Advanced economies	2,4	2,2	1,8	1,7	41,3	40,8	40,2	39,5	0,9	0,7	0,6	0,5
United States	2,2	2,9	2,3	1,9	15,3	15,2	15	14,8	-2,3	-2,3	-2,4	2,6
Japan	1,9	0,8	1	0,5	4,3	4,1	4	3,9	4	3,5	3,5	3,6
Eurozone	2,4	1,8	1,3	1,5	11,3	11,2	10,9	10,7	3,2	3	2,9	2,8
Emerging and developing economies	4,8	4,5	4,4	4,8	58,7	59,2	59,8	60,5	0	-0,1	-0,4	-0,5
Central and Eastern Europe	6	3,6	0,8	2,8	3,6	3,6	3,5	5,3	-2,5	-2,2	-0,9	-1,4
Commonwealth of Independent States	2,4	2,8	2,2	2,3	4,5	4,4	4,4	4,3	1	5	3,8	3,4
Russia	1,6	2,3	1,6	1,7	3,2	3,1	3,1	3	2,1	7	5,7	5,1
Emerging Asian countries	6,6	6,4	6,3	6,3	32,4	33,3	34,3	35,2	0,9	-0,1	-0,1	-0,2
China	6,8	6,6	6,3	6,1	18,2	18,7	19,2	19,7	1,4	0,4	0,4	0,3
India	7,2	7,1	7,3	7,5	7,5	7,8	8,1	8,4	-1,8	-2,5	-2,5	-2,4
Central-Southern America	1,2	1	1,4	2,4	7,7	7,5	7,3	7,2	-1,4	-1,9	-1,9	-2
Brazil	1,1	1,1	2,1	2,5	2,5	2,5	2,5	2,4	-0,4	-0,8	-1,7	-1,6
Middle East and Northern Africa	1,8	1,4	1,3	3,2	6,6	6,5	6,4	6,3	-0,3	3,1	-0,5	-0,4
Sub-Saharan Africa	2,9	3	3,5	3,7	3,1	3	3	3	-4,1	-2,6	-2,9	-3,1
South Africa	1,4	0,8	1,2	1,5	0,6	0,6	0,6	0,6	-2,1	-2,6	-3,7	-3,7
World	3,8	3,6	3,3	3,6	100	100	100	100	-	-	-	-

Source: Istituto per il Commercio Estero (ICE) on data from the International Monetary Fund (IMF)

Coronavirus in China will slow the growth of the world economy by 0.3% this year. The first estimate of the effects of the epidemic on the world economy was made by S&P Global Ratings, which had already estimated the effect on China's GDP at 0.7% and a slowdown in the growth of the second world economy to 5% in 2020.

According to S&P, the worst impact in China will be on gross domestic product in the first quarter. According to the agency, however, the impact of Covid-19 on the growth of the United States and Europe will be minimal, while the consequences on Asia-Pacific economies will be more significant. In these areas the risk is considered high given the fact that infection and mortality rates are lower outside of China. The agency expects a short-term effect on GDP in China and across the world, as well as some economic costs for the industries that are most exposed to Chinese household consumption and the growing containment measures.

Therefore, the global economy showed performance below expectations in 2019. Although slowdown and recession were highly feared, the worst case scenario did not occur. Growth, however, remained slow and this could continue to affect 2020.

Twelve-month inflation remained stable in the fourth quarter average: the drop in the energy component was offset by the strengthening of underlying inflation, supported by the dynamics of service prices. Based on preliminary data, inflation increased to 1.3% in December, as did the underlying rate (1.2% and 1% on average for the year respectively). According to the Eurosystem projections released in December, inflation will remain contained over the three-year period 2020-22, consistent with the moderate growth of economic activity: it should rise from 1.1% in 2020 to 1.4% in 2021 and to 1.6% in 2022. Inflation expectations, after dropping significantly between the end of 2018 and the summer of last year, have just grown, but remain below the ECB's medium-term target.

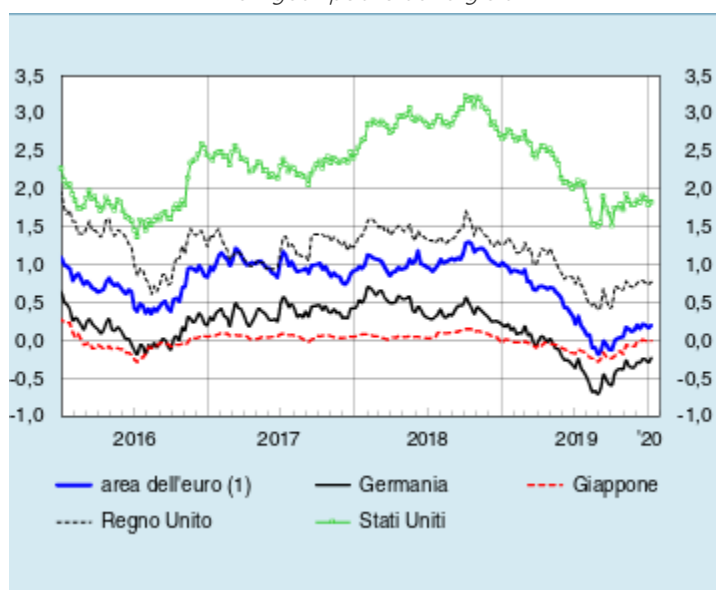
At its meeting on 12 December 2019, the Governing Council of the ECB confirmed the monetary policy trend introduced in September: official rates will remain at or below current values until the inflation outlook has steadily reached a level close to 2 %; net purchases under the Expanded Asset Purchase Program (APP), amounting to 20 billion a month from November, will continue as long as necessary; the reinvestment of the capital repaid on maturing securities will continue for an extended period of time after the start of the rise in official rates.

FINANCIAL MARKETS

The stronger expectations of a trade agreement between China and the United States and the accommodative stance of the major central banks favored a shift in the interest of investors from the bond segment to the equity one, and pushed share prices; long-term yields rose slightly, reflecting less pessimistic assessments of growth prospects.

Long-term rates have risen in all the major advanced economies since mid-October, as a result of a decline in fears about the outcome of the trade negotiations between the United States and China and regarding Brexit; the yield on ten-year German government bonds rose 24 basis points to -0.20%. The yield differentials with German securities fell by 33 basis points in Greece and by 22 basis points in Ireland, while they remained substantially unchanged in Belgium, France, Portugal and Spain. In Italy, the differential widened by 14 basis points. The yield of Italian government bonds is almost equal to that of Greek bonds and about 90 basis points higher than that of Spain and Portugal.

Ten-year public bond yield



Eurozone Germany Japan
United Kingdom United States

Source: Economic Bulletin 1 / 2020 BANK OF ITALY

Share prices in the major advanced and emerging countries have risen and since October they have also benefited from greater optimism on trade negotiations between the United States and China.

Since mid-October, the exchange rate of the Euro has remained essentially unchanged both in relation to the Dollar and in nominal effective terms. On derivatives markets, short positions in Euro by non-commercial operators prevail, suggesting expectations of depreciation of the single currency. As regards risks, an appreciation of the Euro against the Dollar is expected.

ECONOMIC TREND IN THE ITALIAN REPUBLIC

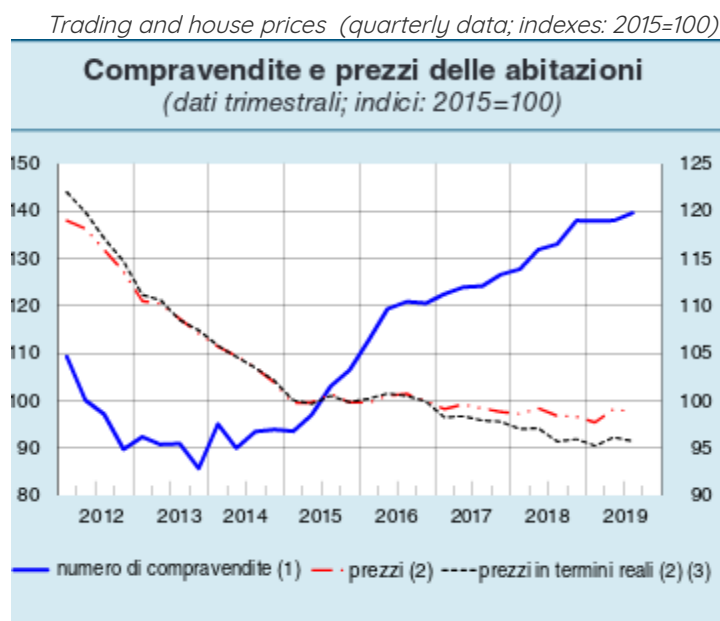
According to the latest information available, gross domestic product remained approximately unchanged in Italy in the last quarter of 2019, mainly due to the weakness of the manufacturing sector.

In the third quarter, it rose by 0.1%, supported by domestic demand and above all by household spending; growth was also driven by changes in stocks. Investments, especially those in capital goods, decreased. The contribution of foreign trade was negative, due to a slight reduction in exports and a substantial increase in imports. Added value fell in industry in the strict sense and in agriculture; it grew slightly in construction and services. Based on information available so far, GDP remained virtually unchanged in the fourth quarter; this assessment could be subject to downside risks if the persistent weakness of the industrial cycle was also transmitted to services.

Based on the available economic indicators, industrial production is estimated to have decreased in the fourth quarter. Valuations on companies remain cautious, although they indicate an improvement in expectations on orders in the current quarter. The companies participating in the survey conducted by the Bank of Italy report a modest expansion of their investment plans for 2020.

Surveys conducted by Istat and the Bank of Italy do reveal a still cautious attitude on the part of companies: expectations on the evolution of demand indicate an expansion of sales in the fourth quarter of 2019 and an improvement in foreign demand – in particular in the industry in the strict sense – which is contrasted by still unfavorable judgements on the general economic situation, especially by service companies and in the areas of Southern and Central Italy.

In the same period, house sales started to grow again and prices remained almost stable; according to the economic survey on the housing market in Italy, there were signs of a slowdown and the percentage of operators reporting a drop in prices increased.



Number of sales

Prices

Actual prices

Source: Economic Bulletin 1 / 2020 BANK OF ITALY

The increase in disposable income recorded in 2019 supported household spending in the summer months; the propensity to save remained almost unchanged. The fall in confidence ratios in autumn, however, could be a prelude to a slowdown in consumption in the future fourth quarter. Consumption benefited from the favorable trend of disposable income, also moderately supported by citizenship income since last April. The purchasing power of households grew by 0.3%, to a lesser extent than in the spring months, due to the less pronounced dynamic of income from work. The propensity to save remained around 9%. Surveys conducted in households show a drop in confidence ratios and a sharp worsening of judgements and expectations on the general economic situation, as well as on employment prospects. Uncertainty about the evolution of the personal economic situation became strong again. Registrations, on the other hand, increased, indicating a possible expansion of the durable goods component which, however, accounts for less than 10% of the total expenditure.

In the third quarter of 2019 the debt of Italian households in relation to disposable income decreased slightly in comparison with the previous quarter (at 61.7%), quite below the average Euro area level (equal to 94.9%). In relation to GDP, the debt remained at 41.3% (compared to 57.9% in the Eurozone).

In the third quarter of 2019, Italian exports were affected by the weak growth in world trade. However, the current account surplus remained large; Italy's net foreign position remained close to balance. In recent months, purchases of Italian public securities by foreign investors were huge. The debt of the Bank of Italy on the European payments system TARGET2 benefited from this, thus further decreasing, even following the launch of the new system for the remuneration of bank reserves.

Means of transport, metal products and food provided the main contribution to the growth of exports of goods, penalized instead by the drop in the mechanical sectors after the sharp increase in the pharmaceutical sector in previous quarters. Imports increased by 1.3% in volume, driven by the component of services and purchases of goods from non-EU countries. According to the latest data, exports of goods to other EU countries and extra-EU2 grew (in October and in the two months October-November respectively) compared to the average for the third quarter. The companies interviewed by the Bank of Italy at the end of last year report improved expectations on foreign demand.

In the third quarter of 2019, employment increased. The unemployment rate fell, and the cost of labor slowed. The number of employees rose against a decrease in industry in the strict sense and grew in private services, although at a slower pace than in the first half of the year. The hours worked per employee also increased, especially in construction. Employment slowed both among self-employed workers and among employees. According to INPS administrative data on employment relationships in the private sector, the growth of permanent positions on 2018, while remaining positive, decreased, mainly reflecting the transformations of temporary contracts already in place.

Inflation remained quite contained, especially due to energy prices; the underlying component, on the other hand, slightly strengthened in the autumn months. According to recent surveys, the inflation expectations of companies fell slightly.

Financing conditions remained relaxed: banks reported an easing of lending criteria and the cost of credit to households dropped significantly. Business credit contracted slightly, in line with weak demand. The flow of new impaired loans remained contained, despite the unfavorable cyclical phase.

In November, credit to the non-financial private sector declined by 0.3% on a quarterly basis. The decline in loans to non-financial companies increased, reflecting the effects of weak cyclical conditions on the demand for loans; the increase in credit to households is still solid, both for mortgages and for consumer credit. Business loans fell, compared to twelve months earlier, especially for small businesses. Credit contracted in all sectors, with greater intensity in construction. Between August and November, deposits from Italian banks rose, both in the retail component, where the marked increase in deposits more than offset the slight decrease in bonds held by households, and in the wholesale one: bond issues benefited from the drop in sovereign spreads in the summer months.

In the third quarter, the flow of new impaired loans in relation to total loans began to decline again. The contraction

involved loans granted to companies and was mainly concentrated in the services and construction sectors. In the same period, the incidence of impaired loans on the total of loans supplied by significant banking groups decreased further, by about a tenth, both gross and net of value adjustments. The decrease was in line with the plans presented by the banks to the ECB and the Bank of Italy. The coverage ratio remained practically unchanged.

In the first nine months of 2019 the return on equity (ROE) of significant banking groups rose to 7.9%. The capital gain linked to the sale of FinecoBank by the UniCredit group contributed significantly; even net of the latter transaction, however, the ROE would have been higher (7%) compared to the corresponding period of 2018. The increase in profitability can be attributed to the reduction in operating costs (-3.4%); the interest margin decreased (by 5.6%), as did net commissions (by 4.7%); value adjustments on loans remained stable. Between June and September, the average level of capitalization of significant groups improved, driven by the profits made in the period.

As for public debt, the preliminary information available for 2019 indicates a slight decrease in net borrowing in relation to the product compared to the previous year. The ratio of debt and product can be estimated to have grown instead, as already indicated by government forecasts. In the official assessments, the budget maneuver for the three-year period 2020-22 approved in December increases the deficit by 0.7 percentage points of GDP on average per year compared to its trend value. According to government plans, the incidence of net borrowing and debt on the product, after a stabilization in 2020, would decrease in the following two years. Based on the estimates of the quarterly accounts released by Istat, net borrowing fell to 3.2% of GDP in the first nine months of 2019, from 3.4 in the same period of 2018.

At the end of November, the public administration debt amounted to 2,444.6 billion, about 35 more in comparison with the same period of 2018. Considering the requirements of the state sector and the change in the liquidity of the Treasury in December, it can be estimated that in 2019 the ratio of debt and GDP increased, as already indicated by government forecasts.

ECONOMIC TREND IN THE REPUBLIC OF SAN MARINO

In 2019, the San Marino economy continued to expand, albeit to a lesser extent than in the previous year, when real GDP growth was 1.7%. The expected values (GDP is estimated to grow by around 1.2%) are however higher than the forecasts of the International Monetary Fund (IMF), an institution with which San Marino has established a close collaboration relationship. The IMF expects a further decrease for the future, reaching 0.5% in the medium term, due to the continuous reduction in the financial leverage of the banking system and a weak external environment.

The final statements of IMF representatives, following the recent visit, reaffirm the concepts already expressed in the past, placing the focus on the banking sector. Sector weaknesses still present stability risks and hinder economic recovery. Significant deposit outflows and weak risk management have left the banking system with low liquidity, poor asset quality and considerable recapitalization needs. Over the past 10 years, this situation has resulted in multiple banking crisis situations and the excessive accumulation of tax liabilities that have eroded the government's liquidity reserves and undermined the sustainability of public debt. The weak capital and liquidity positions of banks continue to limit their ability to provide credit, thus weighing on economic activity.

The country's fiscal deficit is expected to grow significantly and further increase the already unsustainable level of tax liabilities. The government's commitments following the bank resolution procedure pursuant to Law 102/2019, as well as the planned interventions in favor of the investee bank together with the expiry of the one-off measures, should increase the fiscal deficit by 5% of GDP in 2020 and in the following years, compared to the 2019 estimates which forecast a deficit of 2.5% of GDP.

Official public debt is estimated at 32% of GDP in 2019; overall tax liabilities, which include state commitments for the banking system and pension funds, are estimated at an even higher level, i.e. 86% of GDP, and are expected to further increase, with consequent significant financing risks, given the current lack of access to the foreign market

and limited domestic financing sources.

Restoring fiscal sustainability remains a key priority. San Marino must embark on an ambitious fiscal consolidation process which, together with limited public sector contributions to the recapitalization of banks, will place public debt on a downward and sustainable trajectory. This requires the adoption of a global budget strategy based on:

1) increased income. Replacing the single-phase import tax with VAT is essential to increase the collection of revenue, provided that the tax is designed with limited exemptions and sufficiently high rates and is implemented in a calendar consistent with the capacity of the tax administration. Streamlining tax exemptions could further aid revenue-generating efforts.

2) reduced expenses. The unsustainable pension system is running out of budgetary resources and requires urgent reforms, especially considering the expected demographic pressures. Spending reviews between public sector units and a better identification of social benefits could make for further savings.

Back to statistical data, it is evident that inflation continues to remain very low (1%).

The number of people employed in the private sector increased significantly, from 19,365 (average employees in 2018) to 19,969 (average employees in 2019), recording a growth of 3.11%. This phenomenon, which largely originated from the hiring of frontier workers, probably results from Law no.115 of 29/09/2017. The manufacturing sector remains the leading sector from the point of view of employment, absorbing almost 40% of employees, followed by trade with 16%, while the other economic sectors are less relevant from this point of view.

The wider public sector, despite reforms periodically announced by the various governments, has an unchanged number of employees. The 2019 average is 3,697 employees against the 2018 average of 3,694. Employees in this sector represent 18.51% of the total. The already significant percentage has an even greater incidence when taking into account San Marino residents without including cross-border workers.

The year 2019 confirmed the trend of the last few years and recorded very positive values for the tourism sector; the annual expenditure of tourists, as well as their presence in the territory (+ 2.5%), increased compared to the past.

Businesses (companies, sole proprietorships, freelancers) increased slightly, reaching 4,934 active subjects on 31/12/2019 (4,918 in the previous year). The dimensional structure of San Marino companies is that of "micro enterprises" (with less than 10 employees), which represent around 95% of the total. There are only 12 companies with over 100 employees.

Just like 2018, 2019 recorded a marked increase in employment. The unemployed decreased, going from the 2018 average of 1,336 to the 2019 average of 1,283.

As at 31/12/2019, there were 33,574 residents in the Republic, recording an increase compared to the past (33,419 as at 31/12/2018). The Serravalle castle remains the most populated, with almost 11,000 residents.

SAN MARINO FINANCIAL SYSTEM

As at 31/12/2019 the financial sector was composed of 13 authorized subjects, down on the previous year (16 as at 31/12/2018). Therefore, the reduction of the number of subjects supervised by CBSM continued its trend. To date, only 4 credit institutions are fully operational (compared to 12 on the market only a decade ago).

The end of 2019 closed a three-year period which will be remembered as one of the worst periods for the San Marino banking and financial system. Reference is made to the crisis of Banca CIS now BNS (Banca Nazionale Sammarinese), which began on 21/01/2019 with the imposition of forced administration pursuant to art. 78 of Law no. 165/2005. The measure was followed, soon after, by the blocking of payments pursuant to art. 82 of Law no. 165/2005. On 22 July, thanks to the issue of Law 102/2019, the resolution procedure was launched.

This is a measure of great importance which made it possible to resolve, thanks to the involvement of all stakeholders, a crisis with potential systemic effects. The commitment of all the parties involved, starting from the agreement between State and Pension Funds for the segregation of their deposits with Banca CIS through a public vehicle (Veicolo Pubblico di Segregazione Fondi Pensione Spa), the removal of the capital deficit by the Finance Commission, as well as the agreement for the sale of assets and liabilities reached with our institution, BAC and BSM, allowed the use of the resolution procedure, avoiding the opening of bankruptcy proceedings which would certainly have caused greater damage to account holders and the country's economic system.

These events did not help to improve the already existing climate of mistrust towards the banking system and the country, which caused, once again, an outflow of resources that weighed on a situation weakened by previous capital return operations (tax shields and voluntary disclosure) launched by other countries.

A comparison of figures as at 30 September 2019 (latest available) with those at the end of 2018 shows that total funding decreased by 1.3% and gross loans by 5%. The main cause of this significant decrease is attributable to the transfer of non-performing loans to Veicolo Pubblico di Segregazione Fondi Pensione Spa, as part of the aforementioned resolution plan.

The main problem, like other European countries, remains that of non-performing loans (NPL), which had an important impact on the system. As at 30/09/2019, gross non-performing loans, amounting to € 700 million, represented 26% of gross loans to customers. The coverage ratio on doubtful loans increased to 64.8%.

The total net equity of San Marino banks (including the general banking risk fund) further decreased from around € 328 million as at 31/12/2018 to € 236 million as at 30/09/2019.

The following table summarizes the aggregate system data of the past five years, which help to understand the situation.

Financial Statements

Year 2019

	31/12/2015	31/12/2016	31/12/2017	31/12/2018	30/09/2019
Direct deposits	4.802	4.535	3.975	3.861	3.840
Indirect deposits	1.951	1.833	1.806	1.627	1.642
Total deposits	6.753	6.368	5.781	5.488	5.416
Gross loans	3.726	3.310	3.144	2.829	2.687
Net worth	442	399	347	328	236

Source CBSM – data in million Euros.

The net equity figure includes the general banking risk fund.

San Marino's efforts towards the international community, aimed at improving transparency, continue. The regulatory update of the AML/CFT framework further contributed to improving the credibility of the system. The signing of a memorandum of understanding with the Bank of Italy, which has long been hoped for, remains a decisive objective in the context of future institutional initiatives of the Republic.

REFERENCE REGULATIONS INTRODUCED IN 2019

Below are the most significant banking and financial regulations enacted in 2019:

Primary Regulations

Law no. 102 of 14 June 2019

Bank crisis resolution tools to safeguard the stability of the financial system

Decree Law no. 67 of 19 April 2019 (ratifying Decree-Law no. 16 of 25 January 2019)

Urgent measures to support financial system protection operations

Delegated Decree no. 61 of 29 March 2019

Provisions regarding financial instrument markets and market abuse, implementing directives 2014/65/EU and 2014/57/EU and related regulations (EU) no. 600/2014 and no. 596/2014

Delegated Decree no. 50 of 26 March 2019 (ratifying Delegated Decree no. 176 of 28 December 2018)

Provisions regarding access to the activity of credit institutions and prudential and supplementary supervision of the financial sector, implementing Directive 2002/87/EC, Directive 2013/36/EU and related EU regulation 575/2013

Law no. 115 of 16 July 2019

Urgent measures to safeguard the stability of the financial system, guarantee of Social Security Funds and 2nd adjustment to the budget of the state for the financial year 2019

Law no. 123 of 5 August 2019

Amendments to trust regulations

Law no. 154 of 3 October 2019

3rd adjustment to the budget of the state, adjustments to the budget of the entities of the overall public sector for the financial year 2019 and amendments to Law no. 173 of 24 December 2018

Law no. 88 of 30 May 2019

Adjustment to the budget of the state and of the entities of the overall public sector for the financial year 2019, amendments to Law no. 173 of 24 December 2018

Regulation no. 13 of 20 November 2019

Regulation referred to in article 2, paragraph 2 of Law no. 57 of 29 March 2019 - Measures for preventing, combating and suppressing terrorist financing, the financing of the proliferation of weapons of mass destruction and the activity of countries that threaten international peace and security

Law no. 57 of 28 March 2019

Measures for preventing, combating and suppressing terrorist financing, the financing of the proliferation of weapons of mass destruction and the activity of countries that threaten international peace and security

Delegated Decree no. 86 of 23 May 2019

Blockchain technology guidance for companies

Law no. 21 of 31 January 2019

Establishment of bodies involved in the fight against international terrorism

Delegated Decree no. 153 of 30 September 2019

Ratifying Delegated Decree no. 143 of 19 September 2019 - Issue of public debt securities - Republic of San Marino, fixed rate 2%, 29 November 2029 ISIN: SM000A2R8AU7

Delegated Decree no. 143 of 19 September 2019

Issue of public debt securities - Republic of San Marino, fixed rate 2%, 29 November 2029

CBSM Regulations

Regulation no. 2019-02

Regulation on the procedures for feeding and keeping the debtors registry

Regulation no. 2019-01

Miscellany of measures aimed at reviewing the supervisory provisions currently in force

Financial Intelligence Agency Regulations

Instruction 2019/007

Provisions on restrictive measures

Circular 2019/002

Anomaly ratios and schedules for financial entities

Instruction 2019/006

Reporting obligations

Instruction 2019/005

Business organization, policies, procedures, controls and training

Guidelines 2019/001

Self-assessment of money laundering and terrorist financing risk

BANCA SAMMARINESE DI INVESTIMENTO

Since 2012, our Bank has characterized itself as a retail bank, serving households and businesses in the area, with the aim of protecting and valuing savers' deposits and assisting, through targeted financing, both the private and the production sectors.

In the past year the Bank achieved and exceeded the objectives set by the three-year development plan (for the years 2018/2020) by continuing to strengthen its presence on the domestic market and, at the same time, preparing to enter any new markets, hopefully in the near future.

In light of this, the new business plan is being drawn up for the years 2020-2022, which will envisage even more ambitious and challenging objectives.

The 2019 final balance is to be considered extremely positive and represents the best economic result ever achieved by the Bank.

Specifically, the objectives relating to funding (both in terms of volumes and quality) and new customers were largely exceeded.

The objectives set for the credit sector were also achieved, taking into account the acquisition of the assets relating to the BNS operation. The Bank's approach to the disbursement of credit remains, however, based on the utmost prudence, considering the current market situation, which remains negative.

The Private Banking sector related to banking and financial services provided to high standing customers remains a central element of our activity. The development of this sector, also through continuous staff training, remains a priority and is aimed at providing the same services to foreign customers with specific needs in the near future.

In the past year, the "Bank-insurance" project was consolidated and expanded with the signing of collaboration contracts with brokers and other local insurance intermediaries, in order to offer customers diversified products that were also as customized and competitive as possible.

It should be noted that our Bank was the first institute on the San Marino market to issue its own credit cards. The decision made in the past to manage the credit card service in complete autonomy proved successful. The Bank can manage all issuing and acquiring activities, as well as placing revolving cards.

Let us briefly review the main 2019 events that concerned the Bank.

Starting from the second half of the year, the corporate structure was largely absorbed by the activities following the resolution of Banca CIS. Our intervention, along with that of Banca Agricola Commerciale-Istituto Bancario Sammarinese and Banca di San Marino, allowed us to meet the payment of the so-called "protected liabilities"; other assets and liabilities were also purchased. This complex operation was mainly aimed at minimizing inconvenience for customers.

The Bank's staff decreased from 50 employees as at 31/12/2018 to 49 as at 31/12/2019; the first retirement occurred during the year. At the beginning of 2020, two employees voluntarily resigned.

Starting from January, the seconded resources from BNS (5 units) also took service as required by the transfer agreement for the duration of 12 months.

Therefore, the Bank's staff currently totals 52 units.

As at 31/12/2019 the staff was distributed as follows: 24 employees at the commercial network and 25 employees at the management offices.

The average age of staff is 39, while the incidence of female personnel is 41% (the values are substantially unchanged from the past).

It is worth noting that 45% of the employees are university graduates or have graduated from university.

The Board of Directors continues to pay particular attention to risk management and the internal control system. The risk assessment activity carried out during 2018 ended with the definition of a system of risk objectives and with the complete revision of the risk management and monitoring system, in line with relevant best practices, in a risk appetite framework (RAF) perspective.

Set up in the early months of last year, the Anti-Money Laundering Committee provides for the presence of a member of the Board of Statutory Auditors and of the Anti-Money Laundering Manager in addition to the members included in the Risk Committee. The Risk Committee and the Anti-Money Laundering Committee are collegial bodies with cross-functional liaison functions, created with the aim of supporting the General Management and the Managers of the Organizational Units in interpreting the phenomena connected to current and potential risks that characterize the performance of the Bank, with a view to consciously taking on risk and defining the most appropriate management lines.

As in previous years, it was decided to keep the Internal Audit function outsourced to the Bologna-based company Baker Tilly Revisa, a leading Italian auditing company.

As regards staff training, it is unfortunately necessary to point out that the activities related to the acquisition of Banca CIS liabilities and assets involved the network thoroughly, causing a significant delay in the planned educational initiatives.

The course plan was essentially respected by the internal manager of the insurance sector who took part in the planned refresher courses.

The staff of the Legal and Litigation Office, together with the Head of the Credit Area, participated in two events organized by Associazione Bancaria Sammarinese in collaboration with the Law Firm Matteo Mularoni on the issues of credit provision, guarantees and NPL management.

As for anti-money laundering and the fight against terrorism, an in-house course was held in March for newly hired staff. Two training events were also held in the second quarter of the year for branch and management staff.

As done every year, the Trustee Manager took part in a technical qualification updating course organized by the University of San Marino.

The main balance sheet and income statement data are shown below.

Total deposits at the end of 2019 amounted to € 807,197,482 of which € 553,557,983 direct deposits and € 253,639,499 administered indirect deposits. The figure shows an increase of over € 97 million (+13.70%) compared to the previous year.

With regard to the Bank's treasury, the following cash values were recorded as at 31/12/2019:

a) € 140,778,196 deriving from interbank deposits (on demand and term) and deposits in foreign currency;

b) € 286,834,093 deriving from securities distributed over different issuers; in particular, the trading portfolio amounted to € 89,538,769 while fixed assets amounted to € 197,295,324.

Total treasury therefore amounted to € 427,612,289, which is remarkable considering the size of the bank.

As in the past, investment strategies were inspired by criteria of prudence and risk diversification.

On the lending side, the year 2019 recorded an increase in receivables from ordinary customers, which amounted to € 148,836,756 (+11.46% on 2018), net of allowances for doubtful accounts and inclusive of financial leasing transactions. The bank pursues a credit management policy aimed at splitting credit, both in terms of number of positions assigned and technical forms used.

With regard to non-performing loans, as at 31/12/2019, gross loans totaled € 12,541,513 with value adjustments of € 5,841,963, gross impaired loans € 2,681,653 with value adjustments of € 294,373, restructured loans € 2,549,969 value adjustments of € 121,941, as well as past due/overdrawn loans € 104,660 and unsecured loans to countries at risk € 8,698.

As a result, the total amount of non-performing loans amounted to € 17,886,493 (+7% on 2018) with a coverage ratio of 35%. It is important to point out that approximately € 12 million of the aforementioned loans relate to mortgage

transactions, leasing or in any case present privileged securities, a situation which made it possible to contain the loss forecasts.

The trend in doubtful loans to customers is adequately clarified in the specific tables of the notes to the financial statements.

Among the balance sheet ratios we highlight the ratio of net loans and direct deposits equal to 26.89%, the ratio of net non-performing loans and net loans equal to 4.50%, the ratio of net equity and net loans equal to 26.12% and finally the R.O.E. equal to 13.89%.

The bank's net equity as at 31/12/2019 amounted to € 38,873,351.

The Regulatory Capital, as determined on the basis of the provisions of the Supervisory Authority, stood at € 33,945,802 against € 27,914,503 as at 31/12/2018. The Bank has assets suitable for hedging potential risks, highlighting a total capital ratio of 15.86%, which is therefore well above the required regulatory minimum (11%).

The bank does not hold any own shares.

Among the profit and loss account items that recorded the largest increases is the intermediation margin, which rose from € 5,941,523 in 2018 to € 13,263,839 (+123.24%). The intermediation margin recorded in 2018 was deeply affected by the valuations of the securities held, recorded in the last quarter. As early as the beginning of 2019, prices had a significant increase and returned to the levels of summer 2018. This had a decisive influence on the increase in the margin itself. At the same time, there was a decrease in the interest margin (-15.35%) from € 9,983,133 in 2018 to € 8,451,111. The reason partly lies in the adjustments made on the lending rates and more significantly in a reduction in the rate coupons of the owned portfolio, determined by the constant downward trend in the interest rate market.

The profit obtained amounted to € 4,741,000, after making an allocation to the provision for general financial risks of € 2,000,000.

As at 31/12/2019, the provision for general financial risks amounted to € 5,000,000. It should be noted that this provision has the function of hedging the general business risk to which the bank is exposed; since it is similar to a capital reserve, it represents a positive component of the base regulatory capital.

It should also be borne in mind that the above profit was achieved net of adjustments made to loans and financial assets for a total of € 1,702,207.

The financial result achieved, which is extremely satisfactory, takes on even greater importance in consideration of the persisting economic downturn in the country.

SUBSEQUENT EVENTS

To date, there have been no events that took place after 31 December 2019 such as to make the current financial, equity and economic position substantially different from the one resulting from these financial statements, or such as to require adjustments or additional notes to the financial statements.

BUSINESS OUTLOOK

The Bank's activity will continue, as in previous years, characterized by volume development and management prudence. The growth trend, which characterized the year 2019, is confirmed by the relationships started with new customers.

CERTIFICATION OF REQUIREMENTS

The undersigned Dini Giuseppe, in his capacity as Chairman of the Board of Directors of the company Banca Sammarinese di Investimento S.p.A., declares, in accordance with art. 6, paragraph 10 of Law no. 47 of 23 February 2006, that the subjective and objective conditions provided for by law for holding the office remain.

Sincerely,

The Chairman of the Board of Directors

Rovereta, 03/03/2020

By way of implementing the provisions of art. 83, paragraph 3, of Law no. 47, as amended by art. 3 (stored at the headquarters) of Delegated Decree no. 19 of 28 January 2019, the undersigned legal representative certifies that these financial statements, with the explanatory notes, will be stored at the headquarters of Banca Sammarinese di Investimento S.p.A. starting from 03/03/2020, with the right for shareholders to view them and have a copy of them from the directors. Such date is, therefore, the starting date for the 20 clear day term referred to in the aforementioned art. 83 of Law 47/2006 (as amended) for approval of the financial statements by the shareholders' meeting.

The Chairman of the Board of Directors

RECLASSIFIED STATEMENT OF ASSETS AND LIABILITIES

ASSETS	31/12/2019	Impact	31/12/2018	Impact
Inter-bank loans	140.778.196	22,48%	81.021.378	16,09%
Customer loans	117.188.847	18,71%	103.023.623	20,46%
Debt and capital securities	299.043.821	47,75%	254.437.770	50,52%
Leased assets	31.647.909	5,05%	30.447.094	6,05%
AF INTEREST-BEARING ASSETS	588.658.773	93,99%	468.929.865	93,11%
Cash and cash equivalents	2.671.535	0,43%	1.457.753	0,29%
Holdings	819.348	0,13%	811.848	0,16%
Other assets	24.911.791	3,98%	25.121.022	4,99%
Accrued revenues and deferred expenses	1.444.913	0,23%	1.791.358	0,36%
ANF NON-INTEREST-BEARING ASSETS	29.847.587	4,77%	29.181.981	5,79%
Intangible fixed assets	1.142.042	0,18%	1.002.533	0,20%
Tangible fixed assets	6.675.018	1,07%	4.490.843	0,89%
AR REAL ASSETS	7.817.060	1,25%	5.493.376	1,09%
TOTAL ASSETS	626.323.420		503.605.222	

LIABILITIES	31/12/2019	Impact	31/12/2018	Impact
Debts with banks	5.434.048	0,87%	4.155.356	0,83%
Debts with customers	400.279.718	63,91%	273.735.887	54,36%
Debts represented by securities	152.419.286	24,34%	160.573.428	31,88%
PO BEARING LIABILITIES	558.133.052	89,11%	438.464.671	87,07%
Other liabilities	28.115.145	4,49%	32.366.766	6,43%
Accrued expenses and deferred revenues	97.512	0,02%	87.797	0,02%
Staff retirement allowances	313.015	0,05%	323.452	0,06%
Risks and costs fund	791.345	0,13%	230.184	0,05%
PNO NON-BEARING LIABILITIES	29.317.017	4,68%	33.008.199	6,55%
Fund for general financial risks	5.000.000	0,80%	3.000.000	0,60%
Corporate capital	21.500.000	3,43%	21.500.000	4,27%
Reserves	7.632.351	1,22%	6.820.774	1,35%
Profits (Losses) for the financial year	4.741.000	0,76%	811.578	0,16%
PAT ASSETS	38.873.351	6,21%	32.132.352	6,38%
TOTAL LIABILITIES	626.323.420		503.605.222	

RECLASSIFIED PROFIT AND LOSS ACCOUNT

	PROFIT AND LOSS ACCOUNT	31/12/2019	Variation	31/12/2018
	Interests received and proceeds	11.623.261	(11,93%)	13.197.476
	Interests paid and costs	(3.172.150)	(1,31%)	(3.214.343)
MI	INTEREST MARGIN	8.451.111	(15,35%)	9.983.133
	Commissions earned	3.984.319	38,23%	2.882.484
	Commissions paid	(1.212.351)	30,40%	(929.742)
CN	NET COMMISSIONS	2.771.968	41,95%	1.952.742
	Dividends and other proceeds	-	-	-
	Profits (Losses) from financial operations	2.040.760	(134,04%)	(5.994.352)
MINT	INTERMEDIATION MARGIN	13.263.839	123,24%	5.941.523
	Administrative costs	(6.034.679)	5,33%	(5.729.058)
	Value adjustments on intangible fixed assets	(286.619)	14,52%	(250.285)
	Value adjustments on tangible fixed assets	(9.582.190)	50,58%	(6.363.699)
	Other operating proceeds/costs	9.810.519	48,81%	6.592.677
CO	OPERATING COSTS	(6.092.969)	5,96%	(5.750.365)
RG	GROSS OPERATING PROFIT	7.170.870	3651,28%	191.158
	Funding of risk provisions	-	-	-
	Value adjustments on credits	(1.507.200)	42,96%	(1.054.257)
	Value adjustments on financial activities	(198.007)	(66,73%)	(595.163)
	Extraordinary proceeds/costs	1.824.924	1534,30%	111.664
	Variation to the fund for general banking risks	(2.000.000)	(200,00%)	2.000.000
RL	PROFIT FOR THE FINANCIAL YEAR	5.290.587	709,70%	653.402
	Financial taxes	(549.587)	(447,45%)	158.176
RN	PROFIT FOR THE FINANCIAL YEAR	4.741.000	484,17%	811.578

HIGHLIGHTS AND INDICATORS

Key balance sheet figures (in EUR)

	31/12/2019	31/12/2018	31/12/2017	31/12/2016
Total assets	626.323.420	503.605.222	467.083.476	494.214.634
Net lending	148.836.756	133.470.717	119.638.153	115.403.576
Net non-performing loans	11.622.941	11.002.642	11.886.974	7.836.736
Provision for adjustments on doubtful loans	6.842.911	6.233.222	7.062.647	5.663.913
Direct collection	553.557.983	434.928.532	408.170.049	435.624.240
Indirect collection:	253.639.499	274.706.585	223.181.083	134.649.815
- Operated	151.844.350	175.219.933	141.453.635	71.017.315
- Managed	101.795.149	99.486.652	81.727.448	63.632.500
Net equity	38.873.351	32.132.352	34.320.774	29.649.152

Main structural and operational highlights

	31/12/2019	31/12/2018	31/12/2017	31/12/2016
Number of employees	48	50	45	42
Counters	6	6	6	4

Main economic data (in EUR)

	31/12/2019	31/12/2018	31/12/2017	31/12/2016
Interest margin	8.451.111	9.983.133	7.504.821	5.707.258
Intermediation margin	13.263.839	5.941.523	11.686.107	11.401.080
Administrative costs	6.034.679	5.729.058	5.387.842	4.696.837
Personnel costs	4.007.126	3.933.542	3.664.362	3.184.586
Operating costs	6.092.969	5.750.365	5.452.182	4.734.309
Profit for the financial year	4.741.000	811.578	4.571.621	2.251.708

Structural ratios (%)

	31/12/2019	var.	31/12/2018	var.	31/12/2017	var.	31/12/2016
Direct collection / Total assets	88,38	2,02	86,36	(1,03)	87,39	(0,76)	88,14
Net lending / Total assets	23,76	(2,74)	26,50	0,89	25,61	2,26	23,35
Net lending / Direct collection	26,89	(3,80)	30,69	1,38	29,31	2,82	26,49
Managed collection / Indirect collection	59,87	(3,91)	63,78	0,40	63,38	17,28	46,10
Operated collection / Indirect collection	40,13	3,91	36,22	(0,40)	36,62	(17,28)	53,90
Net equity / Total assets	6,21	(0,17)	6,38	(0,97)	7,35	1,35	6,00
Net equity / Net lending	26,12	2,05	24,07	(4,62)	28,69	3,00	25,69

Indicators of the quality of credit (%)

	31/12/2019	var.	31/12/2018	var.	31/12/2017	var.	31/12/2016
Net NPLs / Net lending	4,50	1,18	3,32	(0,41)	3,73	1,21	2,53
Net problem loans / Net lending	1,60	(1,06)	2,66	0,36	2,30	1,10	1,20
Net doubtful credits / Net lending	7,81	(0,43)	8,24	(1,70)	9,94	3,15	6,79
Net NPLs / Net equity	17,23	3,46	13,77	0,75	13,02	3,19	9,83

Profitability ratios (%)

	31/12/2019	var.	31/12/2018	var.	31/12/2017	var.	31/12/2016
Interest margin / Intermediation margin	63,72	(104,30)	168,02	103,80	64,22	14,16	50,06
Interest margin / Interest-bearing assets	1,44	(0,69)	2,13	0,42	1,71	0,48	1,23
Intermediation margin / Interest-bearing assets	2,25	0,98	1,27	(1,40)	2,67	0,21	2,46
Administrative costs / Intermediation margin	45,50	(50,92)	96,42	50,32	46,10	4,91	41,20
Cost / Income [cost/income]	45,94	(50,84)	96,78	50,12	46,66	5,13	41,53
Net profit / (Net equity – Net profit) [R.O.E.]	13,89	11,30	2,59	(12,78)	15,37	7,15	8,22
Net profit / Total assets [R.O.A.]	0,76	0,60	0,16	(0,82)	0,98	0,52	0,46

Efficiency ratios (in thousands of EUR)

	31/12/2019	var.	31/12/2018	var.	31/12/2017	var.	31/12/2016
Total deposits per employee	16.817	2.624	14.193	163	14.030	(2.281)	16.311
Net loans per employee	3.101	432	2.669	10	2.659	(89)	2.748
Intermediation margin per employee	276	157	119	(141)	260	(12)	271
Average personnel costs	83	4	79	(2)	81	6	76
Total operating costs per employee	127	12	115	(6)	121	8	113

STATEMENT OF CASH FLOW

	2019	2018
Cash and cash equivalents at the beginning of the financial year	1.457.753	1.707.930
Funds generated and collected	19.198.541	9.437.416
Profit for the financial year	4.741.000	811.578
Value adjustments on:	11.574.016	8.263.404
- Tangible and intangible fixed assets	9.868.809	6.613.984
- Financial assets	198.007	595.163
- Customer loans	1.507.200	1.054.257
Provisions for:	2.883.525	362.434
- Severance pay	313.015	323.452
- Risks and charges	570.510	38.982
- General financial risks	2.000.000	-
Increase in funds collected	127.832.238	63.669.581
Debts with banks	1.278.692	2.614.542
Debts with customers	126.543.831	51.553.723
Other liabilities	-	9.501.316
Accrued expenses and deferred revenues	9.715	-
Decrease in funds used	555.676	15.279.435
Inter-bank loans	-	15.268.435
Holdings	-	11.000
Other assets	209.231	-
Accrued revenues and deferred expenses	346.445	-
Total funds generated and collected	147.586.455	88.386.432
Use of funds generated from management operations	332.802	3.514.607
Distributed profit	-	1.000.000
Provisions for:	332.802	2.514.607
- Severance pay	323.452	304.567
- Risks and charges	9.350	210.040
- General financial risks	-	2.000.000
Increase in funds collected	133.634.108	60.314.762
Inter-bank loans	59.756.818	-
Customer loans	15.672.424	7.973.759
Bonds, shares, quotas and other financial instruments	44.804.058	33.253.971
Holdings	7.500	-
Tangible and intangible fixed assets	13.393.308	13.361.430
Other assets	-	4.156.005
Accrued revenues and deferred expenses	-	1.569.597

Decrease in funds used	12.405.763	24.807.240
Debts represented by financial instruments	8.154.142	24.743.643
Other liabilities	4.251.621	-
Accrued expenses and deferred revenues	-	63.597
Total funds used and invested	146.372.673	88.636.609
Cash and cash equivalents at the end of the financial year	2.671.535	1.457.753

PROPOSAL FOR THE ALLOCATION OF PROFITS

Dear Shareholders,

in consideration of the foregoing and the results achieved, we invite you to approve these draft financial statements for the year ended as at 31/12/2019, consisting of the financial statements, the explanatory notes and related attachments and accompanied by the management report, as presented by the Board of Directors, as a whole and in the individual postings. We therefore propose that the profit for the year amounting to € 4,740,999.90 be allocated as follows:

- provision to the Legal Reserve for an amount of € 948,199.98;
- distribution of a portion of the profits amounting to € 1,500,000.00 to the shareholders in proportion to their respective shareholdings;
- allocation of the distribution of a portion of the profits amounting to € 250,000.00 to a special optional reserve, available and distributable, for a sum equal to its amount of € 250,000.00 "registered" exclusively in favor of the shareholder managers employed by BSI S.p.A. in proportion to the respective shareholdings;
- provision to a reserve pursuant to art. 63, paragraph 6 of Law no. 166/2013 for an amount of € 123,729.80;
- provision to the item "Other reserves" of the remaining portion of the profits equal to € 1,919,070.12.

The Chairman of the Board of Directors

FINANCIAL STATEMENTS

BALANCE SHEET - ASSETS

	31/12/2019	31/12/2018
10 Cash in hand and at central banks and postal authorities	2.671.535	1.457.753
20 Treasury securities and other financial instruments eligible for refinancing with central banks:	-	-
(a) treasury securities and other similar financial instruments	-	-
(b) other financial instruments eligible for refinancing with central banks	-	-
30 Inter-bank loans:	140.778.196	81.021.378
(a) sight credits	110.645.777	61.315.316
(b) other credits	30.132.419	19.706.062
40 Customer loans:	117.188.847	103.023.623
(a) sight credits	17.442.480	15.896.478
(b) other credits	99.746.367	87.127.145
50 Bonds and other debt securities:	286.834.093	250.429.258
(a) issued by public bodies	56.500.846	51.276.811
(b) issued by banks	158.072.155	135.362.927
(c) of financial undertakings other than credit institutions	40.541.404	34.809.764
(d) issued by other bodies	31.719.688	28.979.756
60 Shares, quotas and other capital securities	12.209.728	4.008.512
70 Holdings:	819.348	811.848
(a) financial companies	811.848	811.848
(b) non-financial companies	7.500	-
80 Holdings in group businesses:	-	-
(a) financial companies	-	-
(b) non-financial companies	-	-
90 Intangible fixed assets:	1.142.042	1.002.533
(a) leasing	-	-
- of which assets to be leased	-	-
(b) assets resulting from annulled lease contracts	-	-
- of which for breach by tenant	-	-
(c) assets available from credit recovery	-	-
- of which assets available for credit termination through settlement agreement	-	-
(d) goodwill	-	-
(e) start-up costs	-	-
(f) other intangible fixed assets	1.142.042	1.002.533
100 Tangible fixed assets:	38.322.927	34.937.937
(a) leasing	30.365.504	29.391.201

Financial Statements

Year 2019

- of which assets to be leased	1.504.654	2.460.336
(b) assets resulting from annulled lease contracts	1.282.405	1.055.893
- of which for breach by tenant	1.282.405	1.055.893
(c) assets available from credit recovery	-	-
- of which assets available for credit termination through settlement agreement	-	-
(d) lands and buildings	6.045.126	3.782.493
(e) other tangible fixed assets	629.892	708.350
110 Subscribed share capital not paid-in	-	-
- of which called capital	-	-
120 Own shares and quotas	-	-
130 Other assets	24.911.791	25.121.022
140 Accrued revenues and deferred expenses:	1.444.913	1.791.358
(a) accrued revenues	63.221	42.476
(b) deferred expenses	1.381.692	1.748.882
150 Totale Assets	626.323.420	503.605.222

BALANCE SHEET - LIABILITIES

	31/12/2019	31/12/2018
10 Debts with banks:	5.434.048	4.155.356
(a) sight debts	513.072	93.791
(b) term or notice debts	4.920.976	4.061.565
20 Debts with customers:	400.279.718	273.735.887
(a) sight debts	363.484.595	238.251.127
(b) term or notice debts	36.795.123	35.484.760
30 Debts represented by securities:	152.419.286	160.573.428
(a) bonds	59.349.384	54.456.832
(b) certificates of deposit	93.069.902	106.116.596
(c) other securities	-	-
40 Other liabilities	28.115.145	32.366.766
- of which outstanding cheques and similar securities	858.979	619.217
50 Accrued expenses and deferred revenues:	97.512	87.797
(a) accrued expenses	55.930	49.115
(b) deferred revenues	41.582	38.682
60 Staff retirement allowances	313.015	323.452
70 Risks and costs funds:	791.345	230.184
(a) retirement and similar costs funds	-	-
(b) tax funds	549.587	-
(c) other funds	241.758	230.184

Financial Statements

Year 2019



80	Allowances for possible loan losses	-	-
90	Fund for general banking risks	5.000.000	3.000.000
100	Subordinated liabilities	-	-
110	Corporate capital	21.500.000	21.500.000
120	Issue premium	-	-
130	Reserves:	7.632.351	6.820.774
	(a) ordinary or legal reserve	2.106.313	1.943.998
	(b) reserve for shares or own shares	-	-
	(c) statutory reserves	5.029.867	4.380.605
	(d) other reserves	496.171	496.171
140	Revaluation reserve	-	-
150	Profits (Losses) carried forward	-	-
160	Profit (Loss) for the financial year	4.741.000	811.578
170	Total Liabilities	626.323.420	503.605.222

BALANCE SHEET – GUARANTEES AND COMMITMENTS

	31/12/2019	31/12/2018
10	Guarantees issued	26.133.412
	- of which:	15.641.204
	(a) acceptances	219.965
	(b) other guarantees	25.913.447
20	Commitments	22.963.356
	- of which:	28.717.697
	(a) certain to be called on	6.541.361
	of which financial instruments	121.560
	(b) not certain to be called on	480.900
	of which financial instruments	-
	(c) other commitments	15.941.095
	Total	49.096.768
		44.358.901

PROFIT AND LOSS ACCOUNT

	31/12/2019	31/12/2018
10 Interests received and proceeds:	11.623.261	13.197.476
(a) on loans to banks	52.108	45.001
(b) on customer loans	5.298.757	4.976.406
(c) on debt securities	6.272.396	8.176.069
20 Interests paid and costs:	(3.172.150)	(3.214.343)
(a) on amounts due from banks	(309.157)	(148.184)
(b) on debts with customers	(1.135.472)	(880.936)
(c) on debts represented by securities	(1.727.521)	(2.185.223)
- of which on subordinated liabilities	-	-
30 Dividends and other proceeds:	-	-
(a) on shares, quotas and other variable income	-	-
(b) on holdings	-	-
(c) on holdings in group businesses	-	-
40 Commissions earned	3.984.319	2.882.484
50 Commissions paid	(1.212.351)	(929.742)
60 Profits (Losses) from financial operations	2.040.760	(5.994.352)
70 Other operating proceeds	9.810.519	6.592.677
80 Other operating costs	-	-
90 Administrative costs:	(6.034.679)	(5.729.058)
(a) labour costs	(4.007.126)	(3.933.542)
- of which:		
- wages and salaries	(2.634.899)	(2.531.370)
- pension contributions	(895.851)	(894.645)
- retirement allowances	(313.015)	(323.452)
- severance indemnity-related costs	-	-
- administrators and mayors	(148.006)	(132.734)
- other personnel expenses	(15.355)	(51.341)
(b) other administrative costs	(2.027.553)	(1.795.516)
100 Value adjustments on intangible fixed assets	(286.619)	(250.285)
110 Value adjustments on tangible fixed assets	(9.582.190)	(6.363.699)
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	(2.100.039)	(1.532.663)
150 Value recoveries on credits and provisions for guarantees and commitments	592.839	478.406
160 Value adjustments on financial assets	(198.007)	(595.163)
170 Value recoveries on financial assets	-	-

Financial Statements

Year 2019



180	Profits (Losses) on ordinary activities	5.465.663	(1.458.262)
190	Extraordinary proceeds	1.911.651	244.684
200	Extraordinary costs	(86.727)	(133.020)
210	Extraordinary Profits (Losses)	1.824.924	111.664
220	Income tax for the financial year	(549.587)	158.176
230	Variation to the Fund for general banking risks	(2.000.000)	2.000.000
240	Profits (Losses) for the financial year	4.741.000	811.578

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

Section A – ACCOUNTING PRINCIPLES

The financial statements for the year closed as at 31/12/2019 were prepared in accordance with the provisions of Regulation no. 2016-02 about the preparation of the financial statements of banks issued by the Central Bank of the Republic of San Marino on 31 August 2016 (and last updated on 28 February 2019), pursuant to article 39 of Law no. 165 of 17 November 2005.

The financial statements comprise the Statement of Assets and Liabilities, the Guarantees and Commitments, the Profit and Loss Account and the Explanatory Notes. They are accompanied by the Directors' report on operations, the Board of Statutory Auditors' report and the Independent Auditors' Report.

The financial statements were prepared in a clear way and represent the asset and financial position and the economic result for the year in a true and correct manner.

The values shown are expressed in euro units and are compared with those of the previous year. Furthermore, the provisions issued by the Central Bank Supervision Division were adopted.

The algebraic sum of the differences deriving from the rounding carried out on the items is included among the "other assets/liabilities" for the Statement of Assets and Liabilities and among the "extraordinary income/charges" for the Profit and Loss Account.

The various entries in the Financial Statements correspond to the company's accounts which were drawn up in correspondence to the administrative transactions that occurred during the year.

The true and correct representation is carried out according to the provisions of law; in the event of a derogation, the reasons and the relative influence on the representation of the balance sheet and the economic result are explained in the explanatory notes.

In order to improve the level of clarity and truthfulness of the financial statements, the accounts were drawn up privileging, where possible, the representation of substance over form. In order to allow a representation of the financial situation more closely related to the actual financial movements of the bank's balance sheet items, the "over the line" accounts are drawn up privileging, where possible, the transaction settlement moment over the negotiation one.

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 prevails, unless the formation of non-explicit reserves is envisaged.

In order not to reduce the information content of the financial statement 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.

Loans to credit institutions

This item shows all loans to banks, whatever their technical form is, except for those represented by financial instruments, which require posting under item no. 50 “Bonds and other debt financial instruments” and entered at their estimated realizable value.

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

Loans to customers

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

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

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

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

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

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

Specifically:

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

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

- 3 six-monthly instalments or 5 quarterly instalments for loans with an original term exceeding 36 months.
- 2 six-monthly instalments or 3 quarterly instalments for loans with a term equal to or less than 36 months;
- 1 yearly instalment expired for over 6 months.

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

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

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

commitments are subject to arbitrary write-down.

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

- *Restructured loans*: cash and “off-balance sheet” exposures for which the bank, due to the worsening of debtor’s economic-financial conditions, allows to change the original contract conditions (for example, terms rescheduling, debt and/or interest reduction, etc.) resulted in a loss. Exposures towards companies expected to close (e.g. for voluntary liquidation or similar situations) are not included. Anomalous exposures especially concerning the Country risk are also excluded.

- *Restructured loans to ex Delta Group*: refer to all loans subject to the Delta Group restructuring agreement, pursuant to art. 182 bis of the Italian Bankruptcy Law. Taking into account 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 typified by Regulation no. 2007/07 and therefore a special category was 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 of loans is made with a decrease adjustment of the value booked in the assets.

Bonds and other debt financial instruments

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

This item shows all the financial debt instruments in the bank’s portfolio, both long- and short-term, such as government securities, bonds, certificates of deposit and the other fixed or variable income financial instruments. Valuations were made pursuant to CBSM Regulation no. 2016/02 on the preparation of the financial statements of banks.

Shares, units and other capital financial instruments

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

Shareholdings

This item includes all rights, represented or not by securities, in the capital of other companies, which create a lasting relationship with the bank.

Investment portfolio

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

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

Trading portfolio

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

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

instruments or, if this is not possible, on the basis of reasonable estimates.

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

The losses and gains originating from the comparison between the market value on 31 December 2019 with the latest book values were entered in the profit and loss account.

Intangible fixed assets

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

Tangible fixed assets

Tangible fixed assets are recognized at purchase cost, inclusive of additional charges and any other incremental expenses. Assets are depreciated systematically by directly adjusting their value using the rates established by the tax law no. 166/2013, annex D, art. D9, deemed appropriate and representative of the value corresponding to the residual useful life of the asset. If assets demonstrate an impairment value which is lower than its cost, this is written down. Should the assumptions supporting the original write-down no longer subsist, write-downs made in previous periods are not maintained.

Financial leasing

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

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

Foreign currency assets and liabilities

Assets and liabilities denominated in foreign currency and off-balance sheet transactions are recognized at the spot exchange rate in effect at year end, according to art. III.II.7 of Regulation no. 2016/02. The effect of this valuation is booked in the profit and loss account.

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

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

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

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

Amounts due to credit institutions

This item shows all the amounts due to credit institutions whatever their technical form, except for those represented by financial instruments which require to be posted under liability items 30 and 100.

The amounts due to banks include the equivalent value of the financial instruments received by the selling bank as spot in repo and carry-over transactions for which the transferee bank is obliged to forward resale. The abovementioned items are booked at nominal value.

Amounts due to customers

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

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

The abovementioned items are booked at nominal value.

Payables represented by financial instruments

Payables represented by financial instruments are booked at nominal value.

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

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

Other assets and Other liabilities

This item contains all the assets and liabilities that are not associated to other assets or liability items. It also includes any (negative or positive) balances for items in transit and suspended that are not attributed to the relevant accounts. Payment means issued by the banks, such as bankers’ drafts, are posted under other liabilities.

Accruals and Deferrals

These are recognized according to the same accrual principle also adopted for the recognition of all income and charges, the portions of interest income and expense and other income and expense.

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

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

Severance

The item shows the total amount of severance indemnities for bank employees.

Provisions for risks and charges

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

The provisions for risks and charges include:

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

Provision for general financial risks

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

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 issued and commitments are entered as follows:

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

Deferred taxes

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

Section 2 - Adjustments and provisions

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

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

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

Table 1.1 | Composition of item 10 “Cash and cash equivalents with central banks and postal agencies”

	31/12/2019	31/12/2018	Amount	Variations %
Cash and cash equivalents with central banks and postal agencies:				
- Banknotes and coins	2.568.697	1.369.457	1.199.240	87,57%
- Cheques	-	1.739	(1.739)	(100,00%)
- Foreign currency cash	102.651	86.087	16.564	19,24%
- Other	187	470	(283)	(60,21%)
Total	2.671.535	1.457.753	1.213.782	83,26%

Item 10 “Cash and cash equivalents with central banks and postal agencies” includes all the Euro and foreign currency tickets and coins in the six branches of the Institute as well as checks and bills not yet sent to the counterparties.

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

Table 2.1 | Composition of item 20 “Treasury securities and other financial instruments eligible for refinancing with central banks”

	31/12/2019	31/12/2018	Amount	Variations %
Treasury securities and other similar financial instruments	-	-	-	-
Other financial instruments eligible for refinancing with central banks	-	-	-	-
Total	-	-	-	-

Table not valued as data not present.

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

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

	31/12/2019			31/12/2018			Variations	
	Euros	Foreign currency	Total	Euros	Foreign currency	Total	Amount	%
Sight credits:	108.161.336	2.484.441	110.645.777	59.058.287	2.257.029	61.315.316	49.330.461	80,45%
- Current accounts for performed services	102.161.336	2.484.441	104.645.777	59.058.287	2.257.029	61.315.316	43.330.461	70,67%
- Current accounts	-	-	-	-	-	-	-	-
- Other	6.000.000	-	6.000.000	-	-	-	6.000.000	-
Other credits:	29.126.010	1.006.409	30.132.419	18.731.663	974.399	19.706.062	10.426.357	52,91%
- Terms deposits	26.606.392	1.006.409	27.612.801	18.731.663	974.399	19.706.062	7.906.739	40,12%
- Current accounts	-	-	-	-	-	-	-	-
- Repos and reverse repos	-	-	-	-	-	-	-	-
- Other	2.519.618	-	2.519.618	-	-	-	2.519.618	-
Total	137.287.346	3.490.850	140.778.196	77.789.950	3.231.428	81.021.378	59.756.818	73,75%

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

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

The item "Others" includes loans to "Banca Nazionale Sammarinese S.p.A." following the bulk acquisition of legal relationships not yet regularized as authorized by BCSM with note record no. 19/9065 of 16/09/2019 and record no. 19/12712 of 13/12/2019. To date, the aforementioned loans amount to € 945,064.

Table 3.2 | Composition of cash credits to banks

	31/12/2019			31/12/2018		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
Doubtful loans:	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-
- Non-performing loans	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-
- Past due / overrun loans	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-
- Restructured loans	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-
- Expired / overdue loans	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-
- Unsecured loans to countries at risk	-	-	-	-	-	-
Performing loans	140.778.196	-	140.778.196	81.021.378	-	81.021.378
of which deriving from financial leasing transactions	-	-	-	-	-	-
Total	140.778.196	-	140.778.196	81.021.378	-	81.021.378

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

Table 3.3 | Changes in doubtful loans to banks

	Non- performing loans	Substandard loans	Restructured loans	Past due / overrun loans	Unsecured loans to countries at risk
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 31/12/2019	-	-	-	-	-
of which for past-due interests	-	-	-	-	-

Table not valued as data not present.

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

	Non- performing loans	Substandard loans	Restructured loans	Past due / overrun loans	Unsecured loans to countries at risk	Performing loans
Opening total adjustments	-	-	-	-	-	-
Increases:	-	-	-	-	-	-
- Value adjustments	-	-	-	-	-	-
of which for past-due interests	-	-	-	-	-	-
- Utilization of Funds 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 adjustment at 31/12/2019	-	-	-	-	-	-
of which for past-due interests	-	-	-	-	-	-

Table not valued as data not present.

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

	31/12/2019	31/12/2018
Sight	110.645.777	61.325.315
Up to 3 months	25.297.769	18.558.759
From 3 months to 6 months	70.428	64.186
From 6 months to 1 year	-	-
From 1 year to 18 months	-	-
From 18 months to 2 years	-	-
From 2 years to 5 years	-	-
More than 5 years	-	-
No term	4.764.222	1.073.118
Total	140.778.196	81.021.378

The residual life corresponds to the time interval between the balance sheet date and the contractual maturity date of each transaction. In the case of restricted transactions, the maturity does not exceed 6 months. The item “Without maturity” is mainly composed of the following items:

- security deposit to guarantee credit and POS card operations requested by Visa and Mastercard for approximately 1 million;
- 2.6 million referring to the future definition of assets deriving from system intervention aimed at saving Banca CIS;
- referring to mortgage interest rate risk hedging transactions for the remaining part.

4. Customer loans (item 40 of assets)

Table 4.1 | Composition if item 40 "Customer loans"

		31/12/2019			31/12/2018			Variations	
		Euros	Foreign currency	Total	Euros	Foreign currency	Total	Amount	%
Sight / Non-revolving loans:		17.442.411	69	17.442.480	15.896.368	110	15.896.478	1.546.002	9,73%
- Current accounts		10.466.643	69	10.466.712	10.025.066	110	10.025.176	441.536	4,40%
- Other		6.975.768	-	6.975.768	5.871.302	-	5.871.302	1.104.466	18,81%
Other loans:		99.586.488	159.879	99.746.367	86.663.461	463.684	87.127.145	12.619.222	14,48%
- Current accounts		3.562.925	-	3.562.925	1.762.591	-	1.762.591	1.800.334	102,14%
- Discounted portfolio and subject to collection		10.291.252	-	10.291.252	9.641.269	-	9.641.269	649.983	6,74%
- Repos and reverse repos		-	-	-	-	-	-	-	-
- Other loans		85.732.311	159.879	85.892.190	75.259.601	463.684	75.723.285	10.168.905	13,43%
Total		117.028.899	159.948	117.188.847	102.559.829	463.794	103.023.623	14.165.224	13,75%

The item 40 "Customer loans" is the collection of credits arising from loan agreement 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 4.2 | Secured customer loans

				Variations
	31/12/2019	31/12/2018	Amount	%
From mortgages	48.325.004	41.848.112	6.476.892	15,48%
From pledges on:	32.997.218	27.858.751	5.138.467	18,44%
- Cash deposits	510.716	244.383	266.333	108,98%
- Securities	3.361.612	587.892	2.773.720	471,81%
- Other valuables	29.124.890	27.026.476	2.098.414	7,76%
From guarantees by:	25.649.315	24.510.459	1.138.856	4,65%
- Public administrations	-	-	-	-
- Monetary financial institutions	-	10.167	(10.167)	(100,00%)
- Investment funds other than money market funds	-	-	-	-
- Other financial companies	1.485	-	1.485	-
- Insurance companies	-	-	-	-
- Pension funds	-	-	-	-
- Non-financial companies	1.900.048	1.222.844	677.204	55,38%
- Households and non-profit institutions serving households:	23.747.782	23.277.448	470.334	2,02%
- Consumer and producer families	23.747.782	23.277.448	470.334	2,02%
- Inputs from other categories of doubtful loans	-	-	-	-
- Other	-	-	-	-
Total	106.971.537	94.217.322	12.754.215	13,54%

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

Table 4.3 | Composition of cash credits to customers

	31/12/2019			31/12/2018		
	Gross exposure	Overall total adjustments	Net exposure	Gross exposure	Overall total adjustments	Net exposure
Doubtful loans:	17.886.493	6.263.552	11.622.941	16.710.022	5.707.380	11.002.642
of which from financial leases	3.529.758	579.081	2.950.677	1.896.586	571.616	1.324.970
- Non-performing loans	12.541.513	5.841.963	6.699.550	9.323.895	4.897.731	4.426.164
of which from financial leases	1.880.514	414.963	1.465.551	1.875.128	569.470	1.305.658
- Substandard loans	2.681.653	294.373	2.387.280	4.220.981	675.444	3.545.537
of which from financial leases	1.643.488	163.831	1.479.657	21458	2.146	19.312
- Restructured loans	2.549.969	121.941	2.428.028	2.956.461	124.998	2.831.463
of which credits to ex Gruppo Delta	111.148	-	111.148	456.500	-	456.500
of which from financial leases	-	-	-	-	-	-
- Past due / overrun loans	104.660	5.232	99.428	181.416	9.071	172.345
of which from financial leases	5.756	287	5.469	-	-	-
- Unsecured loans to countries at risk	8.698	43	8.655	27.269	136	27.133
Performing loans	137.793.174	579.359	137.213.815	122.993.917	525.842	122.468.075
of which from financial leases	29.277.970	133.553	29.144.417	29.601.327	135.856	29.465.471
Total	155.679.667	6.842.911	148.836.756	139.703.939	6.233.222	133.470.717

The table shows the situation of cash loans for each credit category as established by art. 1.1.2 of Regulation no. 2007-07. The table also includes loans deriving from financial leasing transactions; therefore, the final net exposure coincides with the sum of asset items 40 "Loans to customers", 90 "Intangible assets" (a + b) and 100 "Tangible assets" (a + b).

Value adjustments for physiological risks on performing loans amount to approximately 0.5% of them.

As in previous years, the exposures to the companies of the ex Delta Group (Carifin SpA and Plusvalore SpA) were classified among restructured loans, giving specific evidence by creating a specific sub-item. As a result of the transfer of the "Arcade" portfolio by SGCD SpA during 2018, the book value of these loans, net of collections received in 2019, amounts to € 111,148.

It should be noted that the increase of over 22 million in loans to customers is partly due (approximately 11 million) to the system intervention in favor of the resolution process of Banca Cis.

Table 4.4 | Changes in doubtful loans to customers

	Non-performing loans	Substandard loans	Restructured loans	Past due / overrun loans	Unsecured loans to countries at risk
Opening gross exposure	9.323.895	4.220.981	2.956.461	181.416	27.269
of which for past-due interests	349.357	21.180	7.921	470	-
Increases:	3.801.996	2.920.020	2.849.707	537.738	167.373
- Inflow from performing loans	194.867	2.131.928	-	72.052	-
- Inputs from other categories of doubtful loans	3.434.992	-	-	-	-
- Past-due interests	111.352	26.877	9.090	2.215	8
- Other increases	60.785	761.215	2.840.617	463.471	167.365
Decreases:	584.378	4.459.348	3.256.199	614.494	185.944
- Outflow to loans	-	16.082	-	719	-
- Outputs to other categories of doubtful loans	-	3.410.054	-	24.938	-
- Write-offs	476.275	1.858	-	446	-
- Collections	108.103	739.210	3.256.199	525.083	180.057
- Arising from sales	-	-	-	-	-
- Other decreases	-	292.144	-	63.308	5.887
Closing gross exposure at 31/12/2019	12.541.513	2.681.653	2.549.969	104.660	8.698
of which for past-due interests	444.988	6.208	17.011	291	-

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 2019, the Institute has revised in full all amounts receivable in an analytical way, providing for their reclassification taking into account the risk involved.

Table 4.5 | Changes in total value adjustments on customer loans

	Non- performing loans	Substandard loans	Restructured loans	Past due / overrun loans	Unsecured loans to countries at risk	Performing loans
Opening total adjustments	4.897.731	675.444	124.998	9.071	136	525.842
Increases:	1.795.070	221.107	918	5.376	17	272.313
- Value adjustments	1.243.615	211.086	918	4.720	12	268.491
of which for past-due interests	109.329	-	-	-	-	-
- Utilization of funds for possible loans	-	-	-	-	-	-
- Transfers from other categories of loans	551.455	10.021	-	656	5	3.822
- Other increases	-	-	-	-	-	-
Decreases:	850.838	602.178	3.975	9.215	110	218.796
- Value recoveries	291.300	46.982	3.975	7.283	81	157.752
of which for past-due interests	-	-	-	-	-	-
- Value recoveries from collection	83.261	-	-	-	-	2.205
of which for past-due interests	11.769	-	-	-	-	-
- Write-offs	476.277	1.858	-	446	-	47.734
- Transfers to other categories of loans	-	553.338	-	1.486	29	11.105
- Other decreases	-	-	-	-	-	-
Closing total adjustments at 31/12/2019	5.841.963	294.373	121.941	5.232	43	579.359
of which for past-due interests	444.988	-	-	-	-	-

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

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

	31/12/2019	31/12/2018
Sight	15.960.610	16.093.549
Up to 3 months	17.687.963	18.627.827
From 3 months to 6 months	6.769.473	7.084.001
From 6 months to 1 year	7.663.840	6.924.510
From 1 year to 18 months	6.702.757	5.789.556
From 18 months to 2 years	6.337.709	5.917.987
From 2 years to 5 years	28.829.822	22.983.491
More than 5 years	51.994.504	45.471.851
No term	6.890.078	4.577.945
Total	148.836.756	133.470.717

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

	31/12/2019	31/12/2018
Public administrations	4.440.387	3.717.946
Financial undertakings other than credit institutions:	2.748.958	2.220.421
- Monetary financial institutions (other than credit institutions)	-	-
- Investment funds other than money market funds	-	-
- Other financial companies	2.687.552	2.210.339
- Insurance companies	61.406	10.082
- Pension funds	-	-
Non-financial companies:	79.781.576	76.511.471
of which persons deleted from the Register of Authorized Entities	-	-
- Industry	33.427.543	33.673.294
- Building	6.868.855	5.420.111
- Services	39.460.209	37.417.410
- Other non-financial companies	24.969	656
Households and non-profit institutions serving households	61.865.835	51.020.879
- Consumer families	61.689.720	50.816.947
- Non-profit institutions serving households	176.115	203.932
Other	-	-
Total	148.836.756	133.470.717

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

Table 5.1 | Composition of investment and trading securities

	Investment	Trading
Bonds and other debt securities:	197.295.324	89.538.769
- issued by public bodies	38.967.087	17.533.759
- issued by banks	103.075.254	54.996.901
- issued by financial institutions	32.158.904	8.382.500
- issued by other bodies	23.094.079	8.625.609
Shares, quotas and other capital securities:	-	12.209.728
- Fondo Odisseo	-	12.209.728
Total	197.295.324	101.748.497

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

The trading portfolio is made up of securities intended for negotiation and/or kept for cash requirements. The investment portfolio, as required by law, is valued at the purchase or transfer value from another portfolio, while the trading portfolio is valued at market value. Among non-fixed assets, there are also 122 shares of the “Fondo Odisseo”, acquired by the Bank following the system intervention in favor of the resolution of Banca CIS.

With regard to illiquid or unlisted securities, which totaled € 16,999,982, the Bank made an estimate of the value based on similar listed and unlisted instruments or, if not possible, based on reasonable internal valuations.

Table 5.2 | Composition of “investment securities”

	31/12/2019			31/12/2018		
	Book Value	Market Value	Fair value	Book Value	Market Value	Fair value
Debt securities:	195.117.300	197.295.324	199.320.985	146.061.645	147.473.504	144.714.855
- Bonds:	195.117.300	197.295.324	199.320.985	146.061.645	147.473.504	144.714.855
Listed	136.435.394	138.462.057	140.859.040	107.320.268	108.767.991	107.816.775
Unlisted	58.681.906	58.833.267	58.461.945	38.741.377	38.705.513	36.898.080
- Other debt securities:	-	-	-	-	-	-
Listed	-	-	-	-	-	-
Unlisted	-	-	-	-	-	-
Capital securities:	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Unlisted	-	-	-	-	-	-
Total	195.117.300	197.295.324	199.320.985	146.061.645	147.473.504	144.714.855

Investment securities are made up of bonds issued by sovereign states and banks for about 90%, while the remaining part is made up of bonds issued by private companies.

Table 5.3 | Annual variations to investment securities

	31/12/2019	31/12/2018
Opening balance	147.473.504	81.158.070
Increases:	80.655.108	72.851.877
- Purchases	40.245.312	22.169.326
of which debt securities	40.245.312	22.169.326
- Value recoveries	-	-
- Transfers from trading portfolio	36.672.451	48.751.302
- Other variations	3.737.345	1.931.249
Decreases:	30.833.288	6.536.443
- Sales	14.761.445	-
of which debt securities	14.761.445	-
- Redemptions	14.736.506	5.524.670
- Value adjustments	198.007	595.163
of which lasting devaluations	198.007	595.163
- Transfers to trading portfolio	-	-
- Other variations	1.137.330	416.610
Closing balance	197.295.324	147.473.504

In accordance with the provisions of art. IV.V.1 of Regulation no. 2016-02, during the year the Bank provided for the transfer of financial instruments from the free portfolio to the investment one for a value of € 36,672,451.

The maintenance of the aforementioned securities in the free portfolio would have resulted in higher valuation profits as at 31/12/2019 for a total amount of approximately 1.98 million.

The reasons underlying this management choice are due to the intention of the Management Body to keep the securities transferred in the long term, as well as to the need to stem the strong volatility currently found on the financial markets with the ultimate aim of pursuing a correct management policy aimed at securing the assets.

The Board of Directors of the Bank approved the disposal of investment securities for a value of € 14,761,445, mainly in order to maintain an adequate and prudent liquidity margin in anticipation of the completion of the purchase of legal relationships identifiable in bulk by Banca Nazionale Sammarinese SpA occurred on 11/09/2019, and therefore deemed the exceptional hypotheses referred to in art. IV.V.1, paragraph 3 of CBSM Regulation no. 2016/02 valid. The transaction generated extraordinary income of € 1,719,763.

Table 5.4 | Composition of “trading securities”

	31/12/2019	31/12/2018
	Fair value	Fair value
Debt securities:	89.538.769	102.955.754
- Bonds:	89.538.769	102.955.754
Listed	77.488.342	91.328.244
Unlisted	12.050.427	11.627.510
- Other debt securities:	-	-
Listed	-	-
Unlisted	-	-
Capital securities:	12.209.728	4.008.512
- Listed	-	4.008.512
- Unlisted	12.209.728	-
Total	101.748.497	106.964.266

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

Table 5.5 | Annual variations to “trading securities”

	31/12/2019	31/12/2018
Opening balance	106.964.266	140.620.892
Increases:	246.743.927	253.655.706
- Purchases	243.821.382	251.590.218
of which debt securities	224.782.760	238.078.723
of which capital securities	19.038.622	13.511.495
- Write backs and revaluations	1.066.849	143.297
- Transfers from investment portfolio	-	-
- Other variations	1.855.696	1.922.191
Decreases:	251.959.696	287.312.332
- Sales and redemptions	213.522.536	230.346.479
of which debt securities	202.384.123	219.168.787
of which capital securities	11.138.413	11.177.692
- Value adjustments and devaluations	590.535	5.072.829
- Transfers to investment portfolio	36.672.451	48.751.302
- Other variations	1.174.174	3.141.722
Closing balance	101.748.497	106.964.266

The valuation of trading securities is carried out based on the market value as at 31/12/2019. The effect of this method is represented in the item “Writebacks and revaluations” and “Value adjustments and writedowns” shown in

the table.

It should be noted that the valuation of the units of the Fondo Odisseo is carried out at the latest NAV available to date (30/06/2019).

6. Holdings (items 70 - 80 of assets)

Table 6.1 | Holdings and Holdings in group companies

Legal form / Headquarters	Denominations /	Activity performed	Share capital	Net equity	Profit / Loss	Share %	Book Value (b)	Fair value	Net equity share (a)	Comparison (a-b)
Companies of the banking group										
No investment										
Other subsidiaries										
No investment										
Other investee companies										
S.P.A. / Banca Centrale della Repubblica di San Marino / Via del Voltone, 120 (San Marino)		Bank	12.911.425	60.798.852	-	1,00%	811.848		607.989	(203.859)
S.R.L. / Tenuta Santa Chiara / Strada di Paderna, 2 (San Marino)		Services	75.000	65.680	(9.320)	10,00%	7.500		6.568	(932)

No writedown of the equity investments held was made because the delta between the historical cost and the corresponding portion of the net equity is not to be considered a permanent loss of value.

Table 6.2 | Composition of item 70 "Holdings"

	31/12/2019			31/12/2018		
	Purchase price	Book value	Fair value	Purchase price	Book value	Fair value
In banks:	811.848	811.848	-	811.848	811.848	811.848
- Listed	-	-	-	-	-	-
- Unlisted	811.848	811.848	-	811.848	811.848	811.848
In other financial companies:	7.500	7.500	-	-	-	-
- Listed	-	-	-	-	-	-
- Unlisted	7.500	7.500	-	-	-	-
Other:	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Unlisted	-	-	-	-	-	-
Total	819.348	819.348	-	811.848	811.848	811.848

The financial statement data of the investee companies refer to the 2018 financial year.

Table 6.3 | Composition of item 80 “Holdings in group companies”

	31/12/2019			31/12/2018		
	Purchase price	Book Value	Fair value	Purchase price	Book Value	Fair value
In banks:	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Unlisted	-	-	-	-	-	-
In other financial companies:	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Unlisted	-	-	-	-	-	-
Other:	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Unlisted	-	-	-	-	-	-
Total	-	-	-	-	-	-

Table not valued as data not present.

Table 6.4 | Annual changes of item 70 “Holdings”

	31/12/2019
Opening balance	811.848
Increases:	7.500
- Purchases	7.500
- Write backs	-
- Revaluations	-
- Other changes	-
Decreases:	-
- Sales	-
- Value adjustments	-
of which permanent write-downs	-
- Other changes	-
Closing balance	819.348
Total revaluations	-
Total adjustments	-

During 2019, the equity investment in the company “Tenuta Santa Chiara” was purchased following a “transfer in lieu of payment” for the recovery of a credit exposure.

Table 6.5 | Annual changes of item 80 “Holdings in group companies”

	31/12/2019
Opening balance	-
Increases:	-
- Purchases	-
- Write backs	-
- Revaluations	-
- Other changes	-
Decreases:	-
- Sales	-
- Value adjustments	-
of which permanent write-downs	-
- Other changes	-
Closing balance	-

Table not valued as data not present.

Table 6.6 | Assets and liabilities to holdings (item 70)

	31/12/2019
Assets:	89.726.138
- Loans to banks	88.714.069
of which subordinates	-
of which to related undertakings	-
of which subordinates	-
- Loans to other financial companies	-
of which subordinates	-
of which to related undertakings	-
of which subordinates	-
- Loans to other companies	1.012.069
of which subordinates	-
of which to related undertakings	-
of which subordinates	-
- Bonds and other debt financial instruments	-
of which subordinates	-
of which to related undertakings	-
of which subordinates	-
Liabilities:	40.645
- Debts to banks	-
of which to related undertakings	-
- Debts to other companies	40.645
of which to related undertakings	-
- Debts represented by financial instruments	-
of which to related undertakings	-
- Subordinated liabilities	-
of which to related undertakings	-
Guarantees and commitments:	-
- Guarantees given	-
- Commitments	-

Table 6.7 | Assets and liabilities to holdings in group companies (item 80)

	31/12/2019
Assets:	-
- Loans to banks	-
of which subordinates	-
- Loans to other companies	-
of which subordinates	-
- Loans to other companies	-
of which subordinates	-
- Bonds and other debt financial instruments	-
of which subordinates	-
Liabilities:	-
- Debts to banks	-
- Debts to other companies	-
- Debts represented by financial instruments	-
- Subordinated liabilities	-
Guarantees and commitments:	-
- Guarantees given	-
- Commitments	-

Table not valued as data not present.

7. Intangible fixed assets (item 90 of assets)

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

	31/12/2019	Leased assets	of which assets to be leased	Assets resulting from annulled lease contracts	of which for breach by tenant	Assets available from credit recovery	of which assets available for credit termination through settlement agreement	Start-up costs	Establishment costs	Other intangible fixed assets
Opening balance	1,002,533	-	-	-	-	-	-	-	-	1,002,533
Increases:	426,128	-	-	-	-	-	-	-	-	426,128
- Purchases	426,128	-	-	-	-	-	-	-	-	426,128
- Value recoveries	-	-	-	-	-	-	-	-	-	-
of which for credit rating	-	-	-	-	-	-	-	-	-	-
- Revaluations	-	-	-	-	-	-	-	-	-	-
- Other variations	-	-	-	-	-	-	-	-	-	-
Decreases:	286,619	-	-	-	-	-	-	-	-	286,619
- Sales	-	-	-	-	-	-	-	-	-	-
- Value adjustments	286,619	-	-	-	-	-	-	-	-	286,619
of which depreciations	286,619	-	-	-	-	-	-	-	-	286,619
which lasting devaluations	-	-	-	-	-	-	-	-	-	-
of which for credit rating	-	-	-	-	-	-	-	-	-	-
- Other variations	-	-	-	-	-	-	-	-	-	-
Closing balance	1,142,042	-	-	-	-	-	-	-	-	1,142,042

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

The item "Purchases" mainly consists of costs incurred for software implementations.

Table 7.2 | Description of item 90 "Intangible fixed assets"

	31/12/2019			31/12/2018		
	Purchase price / Production cost	Book value	Fair value	Purchase price / Production cost	Book value	Fair value
Financial lease	-	-	-	-	-	-
of which assets to be leased	-	-	-	-	-	-
Assets resulting from annulled lease contracts	-	-	-	-	-	-
of which for breach by tenant	-	-	-	-	-	-
Assets available from credit recovery	-	-	-	-	-	-
of which assets available for credit termination through settlement agreement	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Start-up costs	-	-	-	-	-	-
Other intangible fixed assets	2.997.450	1.142.042	-	2.571.323	1.002.533	1.002.533
Total	2.997.450	1.142.042	-	2.571.323	1.002.533	1.002.533

8. Tangible fixed assets (item 100 of assets)

Table 8.1 | Description and changes of item 100 “Tangible fixed assets”

	31/12/2019	Financial lease	of which assets to be leased	Assets resulting from annulled lease contracts	of which for breach by tenant	Assets available from credit recovery	of which assets available for credit termination through settlement agreement	Lands and buildings	Other tangible fixed assets
Opening balance	34.937.937	29.391.201	2.460.336	1.055.893	1.055.893	-	-	3.782.493	708.350
Increases:	16.978.383	13.679.580	533.272	840.437	840.437	-	-	2.351.180	107.186
- Purchases	11.178.138	8.720.378	-	-	-	-	-	2.350.574	107.186
- Value recoveries	231.421	4.909	4.909	226.512	226.512	-	-	-	-
of which for credit rating	231.421	4.909	4.909	226.512	226.512	-	-	-	-
- Revaluations	-	-	-	-	-	-	-	-	-
- Other variations	5.568.824	4.954.293	528.363	613.925	613.925	-	-	606	-
Decreases:	13.593.393	12.705.277	1.488.954	613.925	613.925	-	-	88.547	185.644
- Sales	1.795.616	1.181.691	-	613.925	613.925	-	-	-	-
- Value adjustments	9.694.898	9.420.707	-	-	-	-	-	88.547	185.644
of which depreciations	9.582.190	9.307.999	-	-	-	-	-	88.547	185.644
of which lasting devaluations	-	-	-	-	-	-	-	-	-
of which for credit rating	112.708	112.708	-	-	-	-	-	-	-
- Other variations	2.102.879	2.102.879	1.488.954	-	-	-	-	-	-
Closing balance	38.322.927	30.365.504	1.504.654	1.282.405	1.282.405	-	-	6.045.126	629.892

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

It should be noted that the item “Purchases” of the category “Land and Buildings” is inherent in the acquisition of a building to which the current Dogana branch will be transferred. This operation was completed during the year.

Table 8.2 | Description of item 100 “Intangible fixed assets”

	31/12/2019			31/12/2018		
	Purchase price / Production cost	Book value	Fair value	Purchase price / Production cost	Book value	Fair value
Financial lease	67.806.844	30.365.504		61.011.718	29.391.201	
of which assets to be leased	3.795.081	1.504.654		5.284.036	2.460.336	
Assets resulting from annulled lease contracts	1.508.419	1.282.405		1.508.419	1.055.893	
of which for breach by tenant	1.508.419	1.282.405		1.508.419	1.055.893	
Assets available from credit recovery	-	-		-	-	
of which assets available for credit termination through settlement agreement	-	-		-	-	
Lands and buildings	6.506.439	6.045.126		4.155.259	3.782.493	
Other tangible fixed assets	2.289.679	629.892		2.197.493	708.350	
Total	78.111.381	38.322.927	-	68.872.889	34.937.937	-

Table 8.3 | Assets available from credit recovery

	31/12/2019		31/12/2018	
	Book Value	Fair value	Book Value	Fair value
Assets available from credit recovery deriving from financial lease contracts:	-	-	-	-
- Real estate	-	-	-	-
of which for residential use	-	-	-	-
of which for non-residential use	-	-	-	-
- Movable assets	-	-	-	-
of which vehicles	-	-	-	-
of which aircraft	-	-	-	-
of which other	-	-	-	-
Assets available from credit recovery deriving from other lease contracts:	-	-	-	-
- Real estate	-	-	-	-
of which for residential use	-	-	-	-
of which for non-residential use	-	-	-	-
- Movable assets	-	-	-	-
of which vehicles	-	-	-	-
of which aircraft	-	-	-	-
of which other	-	-	-	-
Total	-	-	-	-

Table not valued as data not present.

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

	Total at 31/12/2019	of which leasing to credit institutions	of which leasing to customers
Leasing - Total	32.095.094	-	32.095.094
of which for rents overdue	447.185	-	447.185
of which residual capital credit	31.647.909	-	31.647.909
Intangible fixed assets	-	-	-
- Financial lease	-	-	-
- Assets resulting from annulled lease contracts	-	-	-
Tangible fixed assets	31.647.909	-	31.647.909
- Financial lease	30.365.504	-	30.365.504
- Assets resulting from annulled lease contracts	1.282.405	-	1.282.405

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

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

	31/12/2019	31/12/2018	Amount	Variations %
Subscribed capital not paid in	-	-	-	-
of which called capital	-	-	-	-

Table not valued as data not present.

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

Table 10.1 | Composition of social shares

	Number of shares	% on capital	Nominal value	Negotiation amount
Values at 31/12/2018	-	-	-	-
Purchases	-	-	-	-
Sales	-	-	-	-
Values at 31/12/2019	-	-	-	-
				Profit/Loss
Negotiation profit/loss on own shares				-

Table not valued as data not present.

11. Other assets (item 130 of assets)

Table 11.1 | Composition of item 130 “Other assets”

	31/12/2019	31/12/2018
Maintenance margins	-	-
Premiums paid for options	-	-
Others	24.911.791	25.121.022
of which other Debtors:	24.026.356	24.113.708
- Effects received from correspondent banks	3.061.188	2.423.731
- Effects from SBF customers	12.936.995	14.047.286
- Effects after collection from customers	3.867.759	4.053.125
- Illiquid effects	2.428.078	1.749.554
- Transitional accounts and items to be settled	869.329	1.311.309
- IGR advances and withholding of the Tax Office	562.207	528.703
- Loans to investee companies	300.800	-
of which Deferred tax assets:	737.569	786.934
- Law no. 150/2012 Art. 40	579.393	628.758
- Law no. 166/2013	158.176	158.176
of which Other related accounting items:	60.915	55.603
- Foreign securities tax credit	60.915	55.603
of which Other:	86.951	164.777
- Spot transactions	59.434	159.618
- Other items	27.517	5.159
Total	24.911.791	25.121.022

Prepaid tax assets derive from the calculation of deferred taxes, in application of the accrual principle. These prepaid taxes relate to events or transactions that directly affected the profit and loss account. In particular, they concern provisions for funds and expenses that do not meet the requirements of deductibility in the year in which they were registered. Prepaid tax assets are recognized in the financial statements to the extent that there is a likelihood of their recovery, assessed on the basis of the bank's ability to continuously generate positive taxable income within the limits of deductibility of the differences that generate prepaid tax assets. In this regard, the Bank's sustainability plan relies on the presence of positive economic results suitable for the recovery of prepaid taxes.

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

Table 12.1 | Composition of item 140 "Accrued revenues and deferred expenses"

	31/12/2019	31/12/2018
Accrued revenues:	63.221	42.476
- Commissions and feeds on issuing/acquiring transactions	58.599	42.248
- Commissions on trustee mandates	3.500	-
- Consumer credit practices	850	-
- Other items	272	228
Deferred expenses:	1.381.692	1.748.882
- Insurance premiums	50.257	35.981
- Network fees	14.641	26.709
- Rental expenses	30.803	34.633
- Annual amount of AQR result value adjustments	1.114.607	1.485.803
- Commissions and feeds on issuing/acquiring transactions	77.365	63.792
- Central Risk Database contribution	46.344	61.777
- Forward discounts	7.102	-
- Other items	40.573	40.187
Total	1.444.913	1.791.358

With particular reference to this item, it should be noted that, for the 2019 financial year, the Bank directly increased or decreased, where possible, the asset accounts to which accruals and prepayments refer as required by art. IV.I.14 of CBSM Regulation no. 2016/02.

The item "AQR outcome value adjustments" refers to the application of art. 40 of Law no. 173/2018.

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

13. Debts with banks (item 10 of liabilities)

Table 13.1 | Description of item 10 “Debts with banks”

	31/12/2019			31/12/2018		
	Euros	Foreign currency	Total	Euros	Foreign currency	Total
Sight debts:	513.072	-	513.072	93.781	10	93.791
- Overdrawn current accounts	512.756	-	512.756	93.398	10	93.408
- Demand deposits	316	-	316	383	-	383
- Other	-	-	-	-	-	-
Term or notice debts:	-	4.920.976	4.920.976	-	4.061.565	4.061.565
- Overdrawn current accounts	-	-	-	-	-	-
- Time deposits	-	4.920.976	4.920.976	-	4.061.565	4.061.565
- Repos and reverse repos	-	-	-	-	-	-
- Other loans	-	-	-	-	-	-
Total	513.072	4.920.976	5.434.048	93.781	4.061.575	4.155.356

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

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

	31/12/2019	31/12/2018
Sight	1.850.328	1.054.825
Up to 3 months	3.583.720	29.589
From 3 months to 6 months	-	1.760.440
From 6 months to 1 year	-	1.310.502
From 1 year to 18 months	-	-
From 18 months to 2 years	-	-
From 2 years to 5 years	-	-
More than 5 years	-	-
No term	-	-
Total	5.434.048	4.155.356

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

The bank does not have debts towards other banks other than those related to ordinary management.

14. Debts with customers (item 20 of liabilities)

Table 14.1 | Description of item 20 “Debts with customers”

	31/12/2019			31/12/2018		
	Euros	Foreign currency	Total	Euros	Foreign currency	Total
Sight:	360.289.268	3.195.327	363.484.595	234.762.956	3.488.171	238.251.127
- Overdrawn current accounts	358.954.041	3.195.327	362.149.368	233.594.827	3.488.171	237.082.998
- Sight savings deposits	442.772	-	442.772	428.892	-	428.892
- Other	892.455	-	892.455	739.237	-	739.237
Term or notice debts:	36.795.123	-	36.795.123	35.484.760	-	35.484.760
- Term overdrawn current accounts	-	-	-	-	-	-
- Time saving deposits	-	-	-	-	-	-
- Repos and reverse repos	36.792.118	-	36.792.118	24.000.806	-	24.000.806
- Other funds	3.005	-	3.005	11.483.954	-	11.483.954
Total	397.084.391	3.195.327	400.279.718	270.247.716	3.488.171	273.735.887

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

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

	31/12/2019	31/12/2018
Sight	363.485.595	238.251.572
Up to 3 months	922.913	24.207.231
From 3 months to 6 months	29.475.850	4.619.469
From 6 months to 1 year	6.395.360	6.657.615
From 1 year to 18 months	-	-
From 18 months to 2 years	-	-
From 2 years to 5 years	-	-
More than 5 years	-	-
No term	-	-
Total	400.279.718	273.735.887

The table shows that the amounts due to customers have a maximum expiration date of 1 year.

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

Table 15.1 | Composition of debts represented by financial instruments

	31/12/2019			31/12/2018		
	Euros	Foreign currency	Total	Euros	Foreign currency	Total
Bonds	59.349.384	-	59.349.384	54.456.832	-	54.456.832
of which held by credit institutions	-	-	-	-	-	-
Certificates of deposit	93.069.902	-	93.069.902	106.116.596	-	106.116.596
of which held by credit institutions	-	-	-	-	-	-
Other financial instruments	-	-	-	-	-	-
of which acceptances traded	-	-	-	-	-	-
of which outstanding bills	-	-	-	-	-	-
of which atypical securities	-	-	-	-	-	-
Total	152.419.286	-	152.419.286	160.573.428	-	160.573.428

16. Other liabilities (item: 40 of liabilities)

Table 16.1 | Composition of item 40 “Other liabilities”

	31/12/2019	31/12/2018
Maintenance margins	-	-
Premiums received for options	-	-
Cheques in circulation and similar securities	858.979	619.217
Other	27.256.166	31.747.549
of which other Creditors:	1.270.855	3.168.121
- Supplier invoices to be received	615.997	1.093.489
- Payables to I.S.S.	89.277	84.649
- Payables to F.S.S.	2.745	2.693
- Payables to trade union centres	800	752
- Employees salary account	246.149	209.967
- Payables to suppliers	205.575	1.665.704
- Sums in favour of third parties	110.312	110.867
of which Other:	25.985.311	28.579.428
- Transferor of SBF effects	17.346.370	18.233.993
- Transferors of after-collection effects	7.214.303	5.840.146
- Due to tax office	1.181.369	1.049.804
- Transitional accounts and items to be settled	189.511	3.310.368
- Term transactions	53.758	145.117
Total	28.115.145	32.366.766

The sub-item “Payables to the Tax Office” includes liabilities to the Tax Authorities relating to withholdings made on interest, premiums and other returns paid by the Bank to its customers as provided by the Tax Law, as well as amounts for single-phase tax and for withholding taxes on income from employment.

Table 16.2 | Payables for electronic money

	31/12/2019	31/12/2018
For nominative instruments:	-	-
- of which rechargeable	-	-
- of which not rechargeable	-	-
For anonymous tools	-	-
Total	-	-

Table not valued as data not present. The table is not completed because the Institute places its cards directly.

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

Table 17.1 | Composition of item 50 “Accrued expenses and deferred revenues”

	31/12/2019	31/12/2018
Accrued expenses:	55.930	49.115
- Derivative contracts	11.259	8.163
- Employee supplementary remuneration	36.449	32.292
- Directors' I.S.S. separate management	7.800	7.800
- Other items	422	860
Deferred revenues:	41.582	38.682
- Interest on consumer credit practices	21.740	11.949
- Foreign documentary credit commissions	12.322	421
- Safe deposit box fees	-	12.795
- Fees on endorsement loans	-	13.517
- Forward premiums	7.520	-
Total	97.512	87.797

It should be noted that the Bank directly increased or decreased the liability accounts to which the accruals and deferrals refer as provided for by art. IV.I.14 of CBSM Regulation no. 2016/02. “Deferred revenues” mainly refer to advance payments and fees on endorsement loans.

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

Table 18.1 | Changes of item 60 "Staff retirement allowances"

	31/12/2019	31/12/2018
Opening balance	323.452	304.567
Increases:	313.015	323.452
- Provisions	313.015	323.452
- Other variations	-	-
Decreases:	323.452	304.567
- Utilization	323.452	304.567
- Other variations	-	-
Closing balance	313.015	323.452

As required by current legislation, the severance allowance is paid annually to the employees of the Bank. Therefore, the balance at the end of 2019 coincides with the portion relating to the current year to be settled by 2020.

Table 18.2 | Composition of item 70 "Risks and costs funds"

	31/12/2019	31/12/2018
Retirement and similar costs fund	-	-
Taxes and fees funds	549.587	-
Other funds:	241.758	230.184
- Fund for paid and unused leave	192.699	180.184
- Provisions for payment card dispute risks	49.059	50.000
Total	791.345	230.184

The item "Other funds" is made up of unused holidays of employees as at 31/12/2019 for € 192,699. During the 2019 financial year, the "Provision for risks on payment card disputes" was used for approximately € 1,000 following a dispute. The amount of the residual provision is deemed appropriate.

Table 18.3 | Changes of “Taxes and fees reserves”

	31/12/2019	31/12/2018
Opening balance	-	210.040
Increases:	549.587	-
- Provisions	549.587	-
- Other variations	-	-
Decreases:	-	210.040
- Utilization	-	210.040
- Other variations	-	-
Closing balance	549.587	-

Table 18.4 | Changes of sub-item c) “Other provisions”

	31/12/2019	31/12/2018
Opening balance	230.184	191.202
Increases:	12.515	38.982
- Provisions	12.515	38.982
- Other variations	-	-
Decreases:	941	-
- Utilization	941	-
- Other variations	-	-
Closing balance	241.758	230.184

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

Table 18.5 | Changes of item 80 “Funds for possible loan losses”

	31/12/2019	31/12/2018
Opening balance	-	-
Increases:	-	-
- Provisions	-	-
- Other variations	-	-
Decreases:	-	-
- Utilization	-	-
- Other variations	-	-
Closing balance	-	-

Table not valued as data not present.

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

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

	31/12/2019	31/12/2018
Opening balance	3.000.000	5.000.000
Contributions in the year	2.000.000	-
Uses in the year	-	2.000.000
Closing balance	5.000.000	3.000.000

During 2019, a transfer of € 2,000,000 to the "Provision for general financial risks" was made for the purpose of strengthening capital; therefore, the provision in question presents a balance equal to € 5,000,000.

Table 19.2 | Composition of item 100 "Subordinated liabilities"

	31/12/2019	31/12/2018	Amount	Variations
				%
Subordinated liabilities	-	-	-	-
of which held by credit institutions	-	-	-	-
of which hybrid capitalization instruments	-	-	-	-

Table not valued as data not present.

Table 19.3 | Composition of item 110 "Corporate capital"

	31/12/2019			31/12/2018			Variations	
	Number of shares	Nominal value	Total value	Number of shares	Nominal value	Total value	Amount	%
Ordinary	21.500	1.000	21.500.000	21.500	1.000	21.500.000	-	-
Total	21.500	1.000	21.500.000	21.500	1.000	21.500.000	-	-

Table 19.4 | Composition of item 120 "Issue premiums"

	31/12/2019	31/12/2018	Amount	Variations
				%
Issue premiums	-	-	-	-

Table not valued as data not present.

Table 19.5 | Composition of item 130 “Reserves”

	31/12/2019	31/12/2018	Amount	Variations
				%
Ordinary or legal reserve	2.106.313	1.943.998	162.315	8,35%
Reserve for shares or own shares	-	-	-	-
Statutory reserves	5.029.867	4.380.605	649.262	14,82%
Other reserves	496.171	496.171	-	-
Total	7.632.351	6.820.774	811.577	11,90%

The allocation of the 2018 profit of € 811.578,09 is in accordance with the shareholders’ resolution dated April 29, 2019.

Table 19.6 | Composition of item 140 “Revaluation reserve”

	31/12/2019	31/12/2018	Amount	Variations
				%
Revaluation reserve	-	-	-	-

Table not valued as data not present.

Table 19.7 | Composition of item 150 “Profits (losses) carried forward”

	31/12/2019	31/12/2018	Amount	Variations
				%
Profits (Losses) carried forward	-	-	-	-

Table not valued as data not present.

Table 19.8 | Composition of item 160 “Profit (Loss) for the financial year”

	31/12/2019	31/12/2018	Amount	Variations
				%
Profit (Loss) for the financial year	4.741.000	811.578	3.929.422	484,17%

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

	31/12/2019	31/12/2018	31/12/2017	31/12/2016
Corporate capital	21.500.000	21.500.000	20.000.000	20.000.000
Uncalled capital	-	-	-	-
Issue premiums	-	-	-	-
Ordinary or legal reserve	2.106.313	1.943.998	1.029.673	579.332
Other reserves	5.526.038	4.876.776	3.719.480	2.318.112
Operating result	4.741.000	811.578	4.571.621	2.251.708
Profits (Losses) carried forward	-	-	-	-
Fund for general financial risks	5.000.000	3.000.000	5.000.000	4.500.000
Revaluation reserve	-	-	-	-
Total	38.873.351	32.132.352	34.320.774	29.649.152

Table 19.10 | Composition of Savings Collection by business sector

	31/12/2019	31/12/2018
Public administrations	50.701.152	47.114.938
Financial companies other than credit institutions:	4.141.716	2.844.735
- Monetary financial institutions (other than credit institutions)	-	-
- Investment funds other than money market funds	117.015	-
- Other financial companies	3.765.328	2.603.602
- Insurance companies	259.373	241.133
- Pension funds	-	-
Non-financial companies:	83.284.972	73.470.295
of which persons deleted from the Register of Authorized Entities	678.200	913.937
- Industry	39.941.103	38.991.409
- Building	1.809.203	643.898
- Services	40.642.569	33.062.742
- Other non-financial companies	892.097	772.246
Households and non-profit institutions serving households:	415.430.143	311.498.564
- Consumer families	413.458.859	307.561.247
- Non-profit institutions serving households	1.971.284	3.937.317
Other	-	-
Total	553.557.983	434.928.532

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

20. Guarantees and commitments

Table 20.1 | Composition of “guarantees issued”

				Variations
	31/12/2019	31/12/2018	Amount	%
Endorsement credits of a trade nature	5.271.067	2.255.948	3.015.119	133,65%
Endorsement credits of a financial nature	1.767.497	589.292	1.178.205	199,94%
Assets set up as collateral:	19.094.848	12.795.964	6.298.884	49,23%
- of third party bonds	-	-	-	-
- of own bonds	19.094.848	12.795.964	6.298.884	49,23%
Total	26.133.412	15.641.204	10.492.208	67,08%

Table 20.2 | Composition of the abovementioned unsecured loans

				Variations
	31/12/2019	31/12/2018	Amount	%
Credit commitments of a trade nature:	5.271.067	2.255.948	3.015.119	133,65%
- Acceptances	219.965	92.948	127.017	136,65%
- Guarantees and endorsements	1.679.272	1.478.136	201.136	13,61%
- Strong comfort letter	-	-	-	-
- Other	3.371.830	684.864	2.686.966	392,34%
Credit commitments of a financial nature:	1.767.497	589.292	1.178.205	199,94%
- Acceptances	-	-	-	-
- Guarantees and endorsements	1.767.497	589.292	1.178.205	199,94%
- Strong comfort letter	-	-	-	-
- Other	-	-	-	-
Total	7.038.564	2.845.240	4.193.324	147,38%

Table 20.3 | Situation of unsecured loans to credit institutions

	31/12/2019			31/12/2018		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
Doubtful loans	-	-	-	-	-	-
of which non-performing loans	-	-	-	-	-	-
of which substandard loans	-	-	-	-	-	-
of which restructured loans	-	-	-	-	-	-
of which expired / overdue loans	-	-	-	-	-	-
of which unsecured loans to countries at risk	-	-	-	-	-	-
Performing loans	-	-	-	-	-	-
Total	-	-	-	-	-	-

Table not valued as data not present.

Table 20.4 | Situation of unsecured loans to customers

	31/12/2019			31/12/2018		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
Doubtful loans	-	-	-	-	-	-
of which non-performing loans	-	-	-	-	-	-
of which substandard loans	-	-	-	-	-	-
of which restructured loans	-	-	-	-	-	-
of which expired / overdue loans	-	-	-	-	-	-
of which unsecured loans to countries at risk	-	-	-	-	-	-
Performing loans	7.038.564	-	7.038.564	2.845.240	-	2.845.240
Total	7.038.564	-	7.038.564	2.845.240	-	2.845.240

Table 20.5 | Loan guarantees to assume the debts

Liabilities	Amounts of guarantee assets
Payables to credit institutions	19.094.848

Item "Assets pledged as guarantee for debts" relates to the use of credit lines for foreign operations.

Table 20.6 | Margin loans on credit lines

	31/12/2019	31/12/2018
Central banks	-	-
Other banks	-	-
Other financial companies	-	-
Total	-	-

Table not valued as data not present.

Table 20.7 | Composition of “spot commitments”

	31/12/2019	31/12/2018	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	-	6.398.181	(6.398.181)	(100,00%)
Commitments to grant finance not certain to be called on	480.900	265.900	215.000	80,86%
of which passive margins usable on credit lines	480.900	265.900	215.000	80,86%
of which put option issued	-	-	-	-
Commitments to exchange financial instruments not certain to be called on	-	-	-	-
Other commitments	-	-	-	-
Total	480.900	6.664.081	(6.183.181)	(92,78%)

The item “Commitments to disburse funds for uncertain use” includes the available margins that can be used on credit lines granted by the Bank to customers.

Table 20.8 | Forward commitments

	Coverage	Negotiation	Other transactions
Trades:	3.217.000	3.324.361	-
- Financial instruments:	-	121.560	-
purchases	-	60.720	-
sales	-	60.840	-
- Currencies:	3.217.000	3.202.801	-
currency against currency	-	-	-
purchases against EUR	2.513.000	702.498	-
sales against EUR	704.000	2.500.303	-
Deposits and loans:	-	-	-
to be given	-	-	-
to be received	-	-	-
Derivative contracts:	15.941.095	-	-
- With exchange of capital:	-	-	-
- Securities:	-	-	-
- purchases	-	-	-
- sales	-	-	-
- Currencies	-	-	-
- currency against currency	-	-	-
- purchases against EUR	-	-	-
- sales against EUR	-	-	-
- Other values:	-	-	-
- purchases	-	-	-
- sales	-	-	-
- Without exchange of capital:	15.941.095	-	-
- Currencies:	-	-	-
- currency against currency	-	-	-
- purchases against EUR	-	-	-
- sales against EUR	-	-	-
- Other values:	15.941.095	-	-
- purchases	15.941.095	-	-
- sales	-	-	-

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

Table 20.9 | Derivatives

Operation category	Coverage	Negotiation	Other transactions
Derivative contracts:	(855.650)	-	-
- With exchange of capital:	-	-	-
- Securities:	-	-	-
- purchases	-	-	-
- sales	-	-	-
- Currencies:	-	-	-
- currency against currency	-	-	-
- purchases against EUR	-	-	-
- sales against EUR	-	-	-
- Other values:	-	-	-
- purchases	-	-	-
- sales	-	-	-
- Without exchange of capital:	(855.650)	-	-
- Currencies:	-	-	-
- currency against currency	-	-	-
- purchases against EUR	-	-	-
- sales against EUR	-	-	-
- Other values:	(855.650)	-	-
- purchases	(855.650)	-	-
- sales	-	-	-

Financial derivative contracts are to hedge the interest rate risk on fixed assets.

Table 20.10 | Credit derivatives

Operation category	Coverage	Negotiation	Other transactions
Protection purchases:	-	-	-
- With exchange of capital	-	-	-
- Without exchange of capital	-	-	-
Protection sales:	-	-	-
- With exchange of capital	-	-	-
- Without exchange of capital	-	-	-

Table not valued as data not present.

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

21. Suspence accounts

Table 21.1 | Suspence accounts

	31/12/2019	31/12/2018
Asset management:	237.387.037	200.440.966
- Customer asset management	237.387.037	200.440.966
of which cash	84.642.687	25.221.033
of which cash deposited at the reporting institution	84.642.687	25.221.033
of which debt securities	144.253.881	170.822.826
of which debt securities issued by the reporting institution	900.000	-
of which debt securities issued by other San Marino credit institutions	80.000	-
of which capital securities and OIC shares	8.490.469	4.397.107
of which capital securities issued by the reporting institution	-	-
- Portfolios managed by third parties	-	-
Custody and administration of financial instruments:	461.535.536	405.082.574
- Deposited third parties securities	160.116.149	153.869.652
of which debt securities issued by the reporting institution	58.321.000	54.383.000
of which debt securities issued by other San Marino credit institutions	3	80.003
of which capital securities and other values issued by the reporting institution	19.300.000	19.300.000
of which third-party financial instruments deposited with third parties	80.906.529	79.796.019
- Owned securities deposit with third parties	301.419.387	251.212.922
Financial instruments, liquid assets and other assets related to custodian bank activity:	-	-
- Cash	-	-
of which cash deposited by the reporting institution	-	-
- Debt securities	-	-
of which debt securities issued by the reporting institution	-	-
of which debt securities issued by other San Marino credit institutions	-	-
- Capital securities, CIS shares, other financial instruments	-	-
of which capital securities issued by the reporting institution	-	-
- Assets other than financial instruments and cash	-	-

The item “Third party financial instruments held in deposit - of which financial and other own issue securities (capital securities)” also includes a part of own shares for a value of € 19,300,000.

Table 21.2 | Mediation for third parties: execution of orders

	31/12/2019	31/12/2018
Purchases	84.489.431	81.532.947
of which purchases not settled at the reference date	6.223	1.131.578
Sales	49.958.582	36.718.709
of which sales not settled at the reference date	54.508	2.935

Table 21.3 | Composition of Indirect Deposits by economic activity sector

	31/12/2019	31/12/2018
Public administrations	100.000	-
Financial companies:	2.280.080	3.602.819
- Monetary financial institutions	-	-
- Investment funds other than money market funds	-	-
- Other financial institutions	2.280.080	3.602.819
- Insurance companies	-	-
- Pension funds	-	-
Non-financial companies:	20.145.031	15.356.416
of which persons deleted from the Register of Authorized Entities	-	-
- Industry	7.732.881	4.769.006
- Building	553.363	156.998
- Services	10.333.119	9.100.699
- Other non-financial companies	1.525.668	1.329.713
Households and non-profit institutions serving households:	231.114.388	255.747.350
- Consumer families	230.145.373	254.824.427
- Non-profit institutions serving households	969.015	922.923
Other	-	-
Total	253.639.499	274.706.585

Table 21.4 | Trust activity

	31/12/2019	31/12/2018
Transferable assets:	85.957.733	88.021.029
- financial instruments	66.418.900	77.665.422
- liquid assets	19.538.833	10.355.607
Company holdings:	-	24.700
- units or shares of joint-stock companies	-	24.700
- shareholders' loans	-	-
- liquid assets	-	-
Loans to third parties:	-	-
- financial instruments	-	-
- liquid assets	-	-
Other movable or intangible assets:	-	-
- movable or intangible assets	-	-
- liquid assets	-	-
Total of trust activity	85.957.733	88.045.729
of which total liquid assets	19.538.833	10.355.607

Table 21.5 | Assets held when acting as trustee

	31/12/2019	31/12/2018
Assets:		
- Cash and cash equivalents	-	-
- Loans	-	-
- Securities:	-	-
- Debt securities	-	-
- Capital securities	-	-
- OIC	-	-
- Other	-	-
- Holdings	-	-
- Other financial assets	-	-
- Immovable assets	-	-
- Registered movable assets	-	-
- Other products and services	-	-
Total assets held in Trust	-	-
Liabilities:		
- Debts	-	-
- Other liabilities	-	-
Total liabilities held in Trust	-	-
Operating income and charges:		
- Income related to assets in Trust	-	-
- Charges related to assets in Trust	-	-
Difference between income and charges	-	-

Table not valued as data not present.

Section F – INFORMATION ABOUT THE PROFIT AND LOSS ACCOUNT

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

Table 22.1 | Composition of item 10 “Interests received and proceeds”

	31/12/2019	31/12/2018	Amount	Variations %
On Treasury securities and other financial instruments eligible for refinancing with central banks:	-	-		
- Treasury Securities and other similar financial instruments	-	-		
- Other financial instruments eligible for refinancing with central banks	-	-		
On inter-bank loans:	52.108	45.001	7.107	15,79%
- Current accounts	52.108	43.306	8.802	20,33%
- Deposits	-	1.695	(1.695)	(100,00%)
- Other loans	-	-	-	-
of which on financial leases	-	-	-	-
On customer loans:	5.298.757	4.976.406	322.351	6,48%
- Current accounts	761.689	758.938	2.751	0,36%
- Deposits	-	-	-	-
- Other loans	4.537.068	4.217.468	319.600	7,58%
of which on financial leases	1.093.338	967.514	125.824	13,00%
On debt securities from banks:	-	-	-	-
- Certificates of deposit	-	-	-	-
- Bonds	-	-	-	-
- Other financial instruments	-	-	-	-
On financial debt instruments from customers (issued by other issuers):	6.272.396	8.176.069	(1.903.673)	(23,28%)
- Bonds	6.272.396	8.176.069	(1.903.673)	(23,28%)
- Other financial instruments	-	-	-	-
Total	11.623.261	13.197.476	(1.574.215)	(11,93%)

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

				Variations
	31/12/2019	31/12/2018	Amount	%
On debts with banks:	309.157	148.184	160.973	108,63%
- Current accounts overdrafts	20.816	25.622	(4.806)	(18,76%)
- Deposits	107.755	34.761	72.994	209,99%
- Other debts	180.586	87.801	92.785	105,68%
On debts with customers:	1.135.472	880.936	254.536	28,89%
- Current accounts overdrafts	776.839	689.239	87.600	12,71%
- Deposits	118.060	34.522	83.538	241,98%
- Other debts	240.573	157.175	83.398	53,06%
On debts represented by securities with banks	-	-	-	-
of which on certificates of deposit	-	-	-	-
On debts represented by securities with customers	1.727.521	2.185.223	(457.702)	(20,95%)
of which on certificates of deposit	932.743	1.238.559	(305.816)	(24,69%)
On subordinated liabilities	-	-	-	-
of which on hybrid capitalization instruments	-	-	-	-
Total	3.172.150	3.214.343	(42.193)	(1,31%)

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

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

	31/12/2019	31/12/2018	Amount	Variations
				%
On shares, quotas and other capital financial instruments	-	-	-	-
On holdings	-	-	-	-
On holdings in bank group companies	-	-	-	-
Total	-	-	-	-

Table not valued as data not present.

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

Table 24.1 | Composition of item 40 "Commissions earned"

	31/12/2019	31/12/2018	Amount	Variations %
Guarantees issued	75.223	36.613	38.610	105,45%
Credit derivatives	-	-	-	-
Investment services:	2.243.111	1.554.357	688.754	44,31%
- receipt and transmission of orders (let. D 1 enc.1 LISF)	494.041	215.706	278.335	129,03%
- execution of orders (let. D2 enc.1 LISF)	179.425	185.687	(6.262)	(3,37%)
- management of securities portfolio (let. D4 enc.1 LISF)	1.569.645	1.152.964	416.681	36,14%
- placement of securities (let.D5 and D6 enc.1 LISF)	-	-	-	-
Consultancy services	-	-	-	-
Distribution of third-party services and products other than placement:	19.905	-	19.905	-
- asset management	-	-	-	-
- insurance products	19.905	-	19.905	-
- other services or products	-	-	-	-
Collection and payment services	966.080	769.461	196.619	25,55%
Custodian bank services	-	-	-	-
Securities custody and management	46.289	42.641	3.648	8,56%
Trust services	3.500	3.500	-	-
Operation of tax services and treasury	-	-	-	-
Currency transactions	41.454	45.722	(4.268)	(9,33%)
Commissions for collective management services (letters E and F, Annex 1 LISF)	-	-	-	-
Electronic money	55.268	32.571	22.697	69,68%
Issuance/management of credit/debit cards	259.458	172.767	86.691	50,18%
Other services	274.031	224.852	49.179	21,87%
Total	3.984.319	2.882.484	1.101.835	38,23%

Table 24.2 | Composition of item 5 “Commissions paid”

			Variations	
	31/12/2019	31/12/2018	Amount	%
Guarantees received	3.377	-	3.377	-
Credit derivatives	-	-	-	-
Investment services:	322.800	322.343	457	0,14%
- receipt and transmission of orders (let. D 1 enc.1 LISF)	-	-	-	-
- execution of orders (let. D2 enc.1 LISF)	95.197	87.845	7.352	8,37%
- management of securities portfolios (let. D4 enc.1 LISF):	227.603	234.498	(6.895)	(2,94%)
- own portfolio	38.114	36.350	1.764	4,85%
- third-party portfolio	189.489	198.148	(8.659)	(4,37%)
- placement of securities (let. D5 and D6 enc.1 LISF)	-	-	-	-
Door-to-door sale of financial instruments, products and services	-	-	-	-
Collection and payment services	575.022	116.624	458.398	393,06%
Commissions for distributors	-	-	-	-
Electronic money	46.809	91.974	(45.165)	(49,11%)
Issuance/management of credit/debit cards	219.746	359.903	(140.157)	(38,94%)
Other services	44.597	38.898	5.699	14,65%
Total	1.212.351	929.742	282.609	30,40%

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

Table 25.1 | Composition of item 60 "Profits (losses) from financial operations"

	Securities transactions	Currency transactions	Transaction on precious metals	Other transactions
Revaluations	1.066.849			-
Write-downs	590.535			-
Other profits / losses (+/-)	1.473.283	91.163	-	-
Total	1.949.597	91.163	-	-
of which Government securities	21.483			
of which Other debt financial instruments	1.627.107			
of which Capital financial instruments	301.007			
of which Contracts derived from financial instruments	-			

Gains and losses on the value of the securities of the trading portfolio as at 31/12/2019 are entered in the items "Revaluations" and "Writedowns" respectively. The item "Other profits/losses" includes the profits and losses deriving from the negotiation and sale of financial instruments and from transactions for the sale of currencies other than the Euro.

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

Table 26.1 | Composition of items 70 - 80 "Other operating income", "Other operating charges"

	31/12/2019	31/12/2018	Amount	Variations
				%
Other operating income:				
- Expense recovery	502.520	514.983	(12.463)	(2,42%)
- Rental income capital	9.307.999	6.077.694	3.230.305	53,15%
Total	9.810.519	6.592.677	3.217.842	48,81%
Other operating charges				
Total	-	-	-	-

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

Table 27.1 | Number of employees by category

	Average as at 31/12/2019	Personnel cost as at 31/12/2019	Number as at 31/12/2019	Average as at 31/12/2018	Personnel cost as at 31/12/2018	Number as at 31/12/2018
Senior managers	11,92	1.921.463	11	13,00	1.958.669	13
Managers	1,00	85.448	1	1,00	80.906	1
Remaining personnel:	36,83	1.836.854	36	34,25	1.709.892	36
- Office employees	36,83	1.836.854	36	34,25	1.709.892	36
- Other personnel	-	-	-	-	-	-
Total	49,75	3.843.765	48	48,25	3.749.467	50

The staff is made up of 12 directors (1 general director, 2 deputy general directors and 9 officers in charge of the operating areas and branches), 1 manager and 36 employees. 59% of the employees in service are men, while the remaining 41% are women.

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

			Variations	
	31/12/2019	31/12/2018	Amount	%
Other administrative expenses	2.027.553	1.795.516	232.037	12,92%
- of which remuneration for independent auditors	38.888	35.020	3.868	11,05%
- of which for services other than budget review	-	-	-	-
- of which Other:	1.988.665	1.760.496	228.169	12,96%
(a) services	350.077	353.979	(3.902)	(1,10%)
(b) consumable materials	83.512	64.874	18.638	28,73%
(c) rental expenses	136.780	135.440	1.340	0,99%
(d) network service fees	518.492	449.021	69.471	15,47%
(e) insurance	75.635	60.560	15.075	24,89%
(f) maintenance and repair	39.559	56.266	(16.707)	(29,69%)
(g) utilities and service fees	101.728	118.822	(17.094)	(14,39%)
(h) supervisory and associative burdens	398.245	251.008	147.237	58,66%
(i) taxes and duties	27.035	19.467	7.568	38,88%
(j) advertising	34.458	27.191	7.267	26,73%
(k) agency cost	26.412	38.251	(11.839)	(30,95%)
(l) transfer to the Depositors Guarantee Fund	73.036	78.947	(5.911)	(7,49%)
(m) other general expenses	123.696	106.670	17.026	15,96%

As in the past, the item under consideration shows a proper cost management and monitoring policy.

Table 27.3 | Remuneration

			Variations	
	31/12/2019	31/12/2018	Amount	%
(a) Directors	100.006	91.584	8.422	9,20%
(b) Auditors	48.000	41.150	6.850	16,65%
(c) Management	596.756	598.336	(1.580)	(0,26%)
Total	744.762	731.070	13.692	1,87%

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

Table 28.1 | Composition of items 100-110 “Value adjustments on tangible and intangible fixed assets”

	31/12/2019	31/12/2018	Amount	Variations %
(a) Intangible fixed assets	286.619	250.285	36.334	14,52%
of which on assets leased	-	-	-	-
of which on other intangible assets:	286.619	250.285	36.334	14,52%
- Software	107.611	97.012	10.599	10,93%
- Multi-year fees	179.008	153.273	25.735	16,79%
(b) Tangible fixed assets	9.582.190	6.363.699	3.218.491	50,58%
of which on assets leased	9.307.998	6.077.694	3.230.304	53,15%
of which on other tangible assets:	274.192	286.005	(11.813)	(4,13%)
- Lands and buildings	88.548	85.958	2.590	3,01%
- Furniture	44.211	47.481	(3.270)	(6,89%)
- Systems and technical equipment	62.975	69.795	(6.820)	(9,77%)
- Electronic office devices	75.816	74.896	920	1,23%
- Vehicles	2.642	7.875	(5.233)	(66,45%)
Total	9.868.809	6.613.984	3.254.825	49,21%

The increases compared to the previous year are due to the value adjustments on the purchases of new capital goods for the exercise of the banking activity in addition to the greater value adjustments of the assets leased out, entered in asset items 90 and 100. These do not have any impact on the result for the year since they are offset by the entry of the share capital relating to financial leasing payments in item 70 “Other operating proceeds”.

Table 28.2 | Composition of item 120 “Provisions for risks and charges”

	31/12/2019	31/12/2018	Amount	Variations %
Provisions (relating to sub-item “Other funds” of liabilities)	-	-	-	-

Table not valued as data not present.

Table 28.3 | Item 130 “Allowances for possible loan losses”

	31/12/2019	31/12/2018	Amount	Variations %
Provisions (relating to item “Credit risk funds” of liabilities)	-	-	-	-

Table not valued as data not present.

Table 28.4 | Composition of item 140 “Value adjustments on credits and provisions for guarantees and commitments”

	31/12/2019	31/12/2018	Amount	Variations %
Value adjustments on credits	2.100.039	1.532.663	567.376	37,02%
of which:				
- lump-sum adjustments for country risk	-	-	-	-
- other lump-sum adjustments	49.585	59.608	(10.023)	(16,81%)
Provisions for guarantees and commitments	-	-	-	-
of which:				
- lump-sum adjustments for country risk	-	-	-	-
- other lump-sum adjustments	-	-	-	-
Total	2.100.039	1.532.663	567.376	37,02%

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

Table 28.5 | Different types of movements of the financial year

	31/12/2019		31/12/2018		Variations
	Analytical	Lump sum		Amount	%
(A) Total cash credit write-downs:	1.524.140	49.585	1.532.663	41.062	2,68%
- Non-performing loans	767.338	-	674.374	92.964	13,79%
- Substandard loans	209.227	-	565.738	(356.511)	(63,02%)
- Other loans	547.575	49.585	292.551	304.609	104,12%
(B) Total losses on cash credits:	526.314	-	-	526.314	-
- Non-performing loans	476.276	-	-	476.276	-
- Substandard loans	1.858	-	-	1.858	-
- Other loans	48.180	-	-	48.180	-
Total cash value adjustments (A+B)	2.050.454	49.585	1.532.663	567.376	37,02%
(C) Total advances on guarantees and commitments:	-	-	-	-	-
- Guarantees	-	-	-	-	-
- Commitments	-	-	-	-	-
Total	2.050.454	49.585	1.532.663	567.376	37,02%

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

	31/12/2019		31/12/2018		Variations
				Amount	%
Write backs	592.839	478.406	114.433	23,92%	
- of which on non-performing loans	374.561	88.556	286.005	322,97%	
- of which on substandard loans	46.982	114.085	(67.103)	(58,82%)	
- of which on other credits	171.296	275.765	(104.469)	(37,88%)	

Table 28.7 | Composition of item 160 “Value adjustments on fixed financial assets”

				Variations
	31/12/2019	31/12/2018	Amount	%
Value adjustments	198.007	595.163	(397.156)	(66,73%)
- of which on investments	-	-	-	-
of which on investments in group companies	-	-	-	-
of which on investments in associated companies	-	-	-	-
- of which on investments valued at equity	-	-	-	-
- of which on other capital financial instruments	-	-	-	-
- of which on debt financial instruments	198.007	595.163	(397.156)	(66,73%)
- of which on derivative financial instruments	-	-	-	-

Table 28.8 | Composition of item 170 “Value recoveries on fixed financial assets”

				Variations
	31/12/2019	31/12/2018	Amount	%
Value recoveries	-	-	-	-
- of which on investments	-	-	-	-
- of which on investments in controlled companies	-	-	-	-
- of which on investments in associated companies	-	-	-	-
- of which on investments valued at equity	-	-	-	-
- of which on other capital financial instruments	-	-	-	-
- of which on debt financial instruments	-	-	-	-
- of which on derivative financial instruments	-	-	-	-

Table not valued as data not present.

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

Table 29.1 | Composition of items 190 “Extraordinary income” and 200 “Extraordinary expenses”

	31/12/2019	31/12/2018	Amount	Variations %
Extraordinary income:				
- Profit from realization of investment securities	1.902.956	19.305	1.883.651	9.757,32%
- Capital gains	-	-	-	-
- 2017 general income tax adjustment	-	15.881	(15.881)	(100,00%)
- 2017 supervisory charge adjustment	-	32.249	(32.249)	(100,00%)
- Credits subject to limitation Law no. 165/2015 Art. 149	-	154.272	(154.272)	(100,00%)
- Other contingent assets	8.695	22.977	(14.282)	(62,16%)
Total	1.911.651	244.684	1.666.967	681,27%
Extraordinary expenses:				
- Losses from realization of investment securities	17.886	21.706	(3.820)	(17,60%)
- Capital losses	-	6.000	(6.000)	(100,00%)
- Property tax on equity	-	86.945	(86.945)	(100,00%)
- Other extraordinary expenses	68.841	18.369	50.472	274,77%
Totale	86.727	133.020	(46.293)	(34,80%)

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

Table 30.1 | Composition of item 230 “Change in the General financial risk fund”

	31/12/2019	31/12/2018	Amount	Variations %
Change in the General financial risk fund	2.000.000	(2.000.000)	4.000.000	(200,00%)

Section G – OTHER INFORMATION TABLES

31. Prudential aggregates

Table 31.1 | Prudential aggregates

	Amount / %
Regulatory capital	
- Core capital	34.866.702
- Supplementary capital	-
- Deductions	920.900
- Regulatory capital	33.945.802
Risk assets and supervisory ratios	
- Weighted risk assets	213.995.477
- Regulatory capital / Weighted risk assets	15,86%

The bank has assets suitable for covering potential risks, showing a total capital ratio of 15.86%, which is therefore well above the required regulatory minimum of 11%.

32. Major risks and related parties

Table 32.1 | Major risks

	31/12/2019	31/12/2018	Amount	Variations %
Amount	19.988.912	17.738.722	2.250.190	12,69%
Number	5	5	-	-

Table 32.2 | Risks to related parties

	31/12/2019	31/12/2018	Amount	Variations %
Amount	4.191.575	9.166.613	(4.975.038)	(54,27%)
Number	11	11	-	-

33. Time distribution of assets and liabilities

Table 33.1 | Time distribution of assets and liabilities

	Total	Sight	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 18 months	From more than 1 year to 18 months	From more than 18 months to 2 years	From more than 18 months to 2 years	From more than 18 months to 2 years	From 2 years to 5 years	From more than 2 years to 5 years	More than 5 years	More than 5 years	No term
Fixed rate (F) - Variable rate (V)						F	V	F	V	F	V	F	V		
ASSETS															
Treasury securities and other financial instruments eligible for refinancing with central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans to credit institutions	140.778.196	110.645.777	25.297.769	70.428											4764.222
Loans to customers	148.836.756	15.960.610	17.687.963	6.769.473	7.663.840	1.226.934	5.475.823	934.285	5.403.424	3.647.609	25.182.213	7.580.287	44.414.217	6.890.078	
Bonds and other debt financial instruments	286.834.093	-	11.330.995	11.204.144	30.527.838	5.801.426	17.921.183	15.207.644	2.998.473	63.560.003	45.426.259	30.536.030	51.720.098	600.000	
Off-balance sheet transactions	19.760.555	480.900	1572.958	1.708.550	1.150.688	-	-	1.129.022	-	3.508.847	-	10.209.590	-	-	-
LIABILITIES															
Payables to credit institutions	5.434.048	1.850.328	3.583.720	-	-	-	-	-	-	-	-	-	-	-	-
Payables to customers	400.279.718	363.485.595	922.913	29.475.850	6.395.360	-	-	-	-	-	-	-	-	-	-
Payables represented by financial instruments:	152.419.286	1.480.516	44.914.310	25.578.791	47.184.481	3.418.730	-	190.292	-	29.652.166	-	-	-	-	-
- Bonds	59.349.384	-	-	-	29.697.218	-	-	-	-	29.652.166	-	-	-	-	-
- Certificates of deposit	93.069.902	1.480.516	44.914.310	25.578.791	17.487.263	3.418.730	-	190.292	-	-	-	-	-	-	-
- Other financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities: cheques in circulation and similar securities	858.979	858.979	-	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	3.202.801	-	1.178.119	1.423.761	600.921	-	-	-	-	-	-	-	-	-	-

This table represents a time span of the residual life of the balance sheet asset and liability items. The column "Without maturity" shows non-performing loans and credits for which an appropriate temporal allocation was not identified.

34. Securitization transactions

The bank did not carry out any securitization transactions.

35. Payment institutions and electronic money institutions: further information

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

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

Table 36.1 | Volumes of payment transactions

Type of operations	31/12/2019				31/12/2018			
	Amount of operations	Number of operations	Commissions received	Expense recoveries	Amount of operations	Number of operations	Commissions received	Expense recoveries
(a) Credit cards	18.297.488	209.329	18.868	104.408	14.632.541	167.422	165.927	2.800
(b) Debit cards	20.213.084	253.649	20.844	115.338	9.278.420	141.452	7.330	1.732
(c) Electronic money	8.203.268	84.735	8.459	46.809	6.110.519	63.642	32.788	5.333
Total	46.713.840	547.713	48.171	266.555	30.021.480	372.516	206.045	9.865

Table 36.2 | Fraudulent uses

Type of operations	31/12/2019				31/12/2018			
	Amount of operations	Number of operations	Charges for the intermediary	Insurance reimbursements	Amount of operations	Number of operations	Charges for the intermediary	Insurance reimbursements
(a) Credit cards	18.128	69	-	-	9.361	64	-	-
(b) Debit cards	231	2	-	-	247	3	-	-
(c) Electronic money	1.866	15	-	-	846	10	-	-
Total	20.225	86	-	-	10.454	77	-	-

Table 36.3 | Credit cards revoked due to insolvency

Risk operation type	31/12/2019		31/12/2018	
	Amount	Number of cards	Amount	Number of cards
(a) On the intermediary	-	-	-	-
(b) On third parties	-	-	-	-
Total	-	-	-	-

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

Section 37 is not completed as it is not applicable.

Section H – OTHER INFORMATION

None.

The Chairman of the Board of Directors

AUDITING FIRM'S REPORT PURSUANT TO THE COMBINED PROVISIONS OF ARTICLE 33, PARAGRAPH 1, letter a) OF LAW NO. 165 OF NOVEMBER 17, 2005 AS AMENDED (LISF) AND ARTICLE 68, PARAGRAPH 1, POINTS 2) AND 3) OF LAW NO. 47 OF FEBRUARY 23, 2006 AS AMENDED (COMPANIES ACT)

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

Introduction

We audited the financial statements of BANCA SAMMARINESE D'INVESTIMENTO S.p.A. (hereinafter referred to as the Company), made up of the statement of assets and liabilities as at December 31, 2019, the profit and loss account for the year closed as at such date and the explanatory notes, in accordance with Regulation no. 2016-02, issued by the Central Bank of the Republic of San Marino, which governs their preparation.

Scope of the legal audit

We carried out the audit in compliance with the regulations in force in the Republic of San Marino and, where applicable, with the international auditing standards. Our responsibilities under these principles are further described in the section of this report entitled "Responsibilities of the auditing firm for the audit of financial statements". We are independent of the Company in compliance with the rules and principles on ethics and independence applicable in the San Marino system to the audit of financial statements. We believe that we acquired sufficient and appropriate audit evidence on which to base our judgment.

Responsibility of the directors and the board of statutory auditors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the legislation in force in the Republic of San Marino on their preparation, and within the terms provided for by law, for the part of internal audit deemed necessary by the directors themselves to allow the preparation of financial statements without significant errors due to fraud or unintentional behaviour or events.

The directors are responsible for the assessment of the Company's ability to continue operating as an operating entity and, in preparing the financial statements, for the appropriateness of the use of the going concern assumption, as well as for adequate disclosure on the matter. The directors use the going concern assumption in preparing the financial statements unless they have considered that the conditions exist for the liquidation of the Company or the interruption of business, or have no realistic alternatives to such choices.

The statutory auditors are responsible for supervising, within the terms provided for by law, the process of preparing the Company's financial policy.

Responsibility of the auditing firm for the audit of the financial statements

Our objective is to acquire reasonable certainty that the financial statements as a whole do not contain significant errors, due to fraud or unintentional behaviour or events, and to issue an audit report that includes our judgment. Reasonable certainty means a high level of security which, however, does not provide the assurance that an audit carried out in compliance with the legislation in force in the Republic of San Marino and, where applicable, with the international auditing standards, will always identify a significant error, if existing. Errors can result from fraud or unintentional behaviour or events and are considered significant if it can reasonably be expected that they, individually or as a whole, are able to influence the economic decisions made by the users on the basis of the financial statements.

As part of the audit carried out in accordance with the legislation in force in the Republic of San Marino and, where applicable, the international auditing standards, we exercised our professional judgment and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material errors in the financial statements due to fraud or unintentional behaviour or events; we defined and performed audit procedures in response to these risks; we acquired sufficient and appropriate audit evidence on which to base our judgment. The risk of not identifying a significant error due to fraud is higher than the risk of not identifying a significant error arising from unintentional behaviour or events, since fraud may imply the existence of collusion,

- forgery, intentional omissions, misleading representations or internal audit forcing;
- we acquired a relevant understanding of the internal control for auditing purposes in order to define appropriate circumstantial audit procedures and not to express an opinion on the effectiveness of the internal control of the Company;
- we assessed the appropriateness of the accounting principles used, as well as the reasonableness of accounting estimates made by the directors, including the related disclosure;
- we reached a conclusion on the appropriateness of the use of the business continuity assumption by the directors and, based on the audit evidence, on the presence of significant uncertainty regarding events or circumstances that may give rise to significant doubts about the Company's ability to continue operating as an operating entity;
- in the presence of significant uncertainty, we are required to draw the attention in the audit report to the related disclosure, or, if such disclosure is inadequate, to reflect this fact in the formulation of our judgment. Our conclusions are based on the audit evidence obtained up to the date of this report. However, subsequent events or circumstances may result in the Company ceasing to operate as an operating entity;
- we assessed the presentation, structure and content of the financial statements as a whole, including the disclosure, and whether the financial statements represent the underlying transactions and events in order to provide a correct representation.

We informed the managers of the governance activities, identified at an appropriate level, among other aspects, of the scope and timing planned for the audit and the significant results that emerged, including any significant deficiencies in the internal control found during the audit.

Judgment

In our opinion, the financial statements give a true and fair view of the equity and financial position of BANCA SAMMARINESE D'INVESTIMENTO S.p.A. as at December 31, 2019 and the economic result for the year closed as at such date.

A note to public disclosure

Without modifying our judgment, we would like to draw attention to the information contained in the Explanatory Notes regarding:

- the transfer of financial instruments from the free portfolio to the investment one and the early release of fixed financial assets as detailed and justified in paragraph 5 of the Explanatory Notes;
- the partial use of the General Financial Risks Fund as better detailed and justified in paragraph 19 of the Explanatory Notes.

Report on other provisions of law and regulations

Judgment pursuant to article VIII.I.1, paragraph 2, letter a) and b) of Regulation no. 2016-02 issued by the Central Bank of the Republic of San Marino (the Regulation)

The directors of BANCA SAMMARINESE D'INVESTIMENTO S.p.A. are responsible for the preparation of the management report as at December 31, 2019, including its consistency with the related financial statements and its compliance with the Regulation.

We carried out the procedures indicated in the Regulation in order to express an opinion on the consistency of the management report with the financial statements of the Company as at December 31, 2019 and on its compliance with the Regulation, as well as to issue a declaration on any relevant incorrect statements.

In our opinion, the management report is consistent with the financial statements of BANCA SAMMARINESE D'INVESTIMENTO S.p.A. as at December 31, 2019 and drafted in compliance with the Regulation.

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

San Marino, 02/03/2020

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

Marco Stolfi
Auditor

BANCA SAMMARINESE DI INVESTIMENTO S.P.A.

Via Monaldo da Falciano no. 3 - Rovereta (R.S.M.)

Companies Register Registration no. 2771 of 29/05/02

Share Capital € 21.500.000 fully paid in – Economic Operator Code SM18493

*** **

**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE FINANCIAL STATEMENTS FOR THE
YEAR CLOSED AS AT 31.12.2019**

*** **

Dear Shareholders,

the draft financial statements for the year ended 31 December 2019, accompanied by the required Report of the Board of Directors, which is submitted for your approval, were prepared in accordance with the provisions of Law no. 47 of 23 February 2006 and subsequent amendments, Law 165/2005 (LISF) and what was issued by the Central Bank - Supervision Division and in particular Regulation 2/2008 and subsequent amendments, concerning the explanatory notes.

The aforementioned document consists therefore of the statement of assets and liabilities, the profit and loss account and the explanatory notes.

The Report of the Auditing Company containing the opinion on the compliance of the financial statements for the year ended 31 December 2017 with the rules governing the drafting criteria was also made available to the Board of Statutory Auditors. The Report, without altering the opinion, contains a reminder of information relating to:

- transfer of financial assets from the free portfolio to the investment portfolio as well as the early release of fixed financial assets;
- provision for General Financial Risks.

The financial statements, the notes to the financial statements and the Board of Directors' report on the 2019 financial statements were made available to the Board of Statutory Auditors in compliance with the provisions contained in article 83 paragraph 1 of Law 47/2006.

The statement of assets and liabilities and the profit and loss account have the following values:

Statement of assets and liabilities:	
ASSETS	
Intangible fixed assets	Euro 1.142.042
Tangible fixed assets net of funds	Euro 38.322.927
Current assets: cash and cash equivalents	Euro 143.449.731
Current assets (net of the Allowance for doubtful accounts):	
	Euro 441.963.807
loans and securities	Euro 1.444.913
TOTAL ASSETS	Euro 626.323.420
Net equity	
Share capital	Euro 21.500.000
Other reserves	Euro 7.632.351
Current earnings (losses)	Euro 4.741.000
LIABILITIES	
Employees' termination benefits provision	Euro 313.015
Provisions	Euro 791.345
Provisions for general banking risks	Euro 5.000.000
Subordinated liabilities	Euro 0
Payables to banks	Euro 5.434.048
Payables to customers, securities and others	Euro 580.814.149
Accrued liabilities and deferred income	Euro 97.512
TOTAL LIABILITIES AND NET EQUITY	Euro 626.323.420
Guarantees, commitments, risks and order accounts	Euro 49.096.768
Profit and loss account:	
Positive components	Euro 29.963.349
Negative components	Euro 25.222.349
Current earnings (losses)	Euro 4.741.000

The Board of Statutory Auditors performed its duties in compliance with the supervisory regulations in force and with the provisions of Law 47/2006 and subsequent amendments, while, as regards the functions relating to accounting audit, an auditing company was duly appointed.

SUPERVISORY ACTIVITY

During the year ended 31 December 2019, the Board of Statutory Auditors supervised the compliance with the law and the by-laws, the principles of correct administration and, to the extent of its responsibility, the adequacy of the accounting administrative system, according to the principles enunciated by the professional bodies.

With regards to the performance of the assignment, it informs that:

- it participated in the shareholders' meetings and the Board of Directors' meetings;
- it obtained from the administrative body information on the activities carried out and on the most important economic, financial and equity operations carried out by the company. Therefore, it can guarantee that the actions taken comply with the law and the bylaws;
- during the supervisory activity, no complaints were received pursuant to art. 65 of Law 47/2006; moreover, no complaints were filed pursuant to art. 66 of the same Law 47/2006;
- it was not informed of any omissions, reprehensible facts, limitations, exceptions or irregularities that would require express mention in this report;
- it ascertained the adequacy of the administrative accounting system and its ability to correctly represent management facts by examining company documents.

All in all, with reference to the activity carried out, the Board of Statutory Auditors has nothing to report.

With regard to the financial statements for the year ended 31 December 2019, the Board of Statutory Auditors monitored their general structure, as well as their compliance with the provisions of law on their preparation. It should be noted that the draft financial statements were drawn up with adequate and correct evaluation criteria, compared with those of previous years, in compliance with the provisions issued by the Central Bank - Supervision Division.

The Board of Statutory Auditors has no particular fact to report.

The 2019 financial year highlights a positive result of € 4,741,000 and in the Explanatory Notes the Board of Directors illustrated the valuation criteria adopted for the various items and provided the required information on both the statement of assets and liabilities and the profit and loss account.

During the year there were no exceptional cases that required the use of exemptions pursuant to article 75 of Law no. 47/2006.

The Board of Statutory Auditors ascertained that the financial statements corresponded to the facts and information of which it was aware through the activity requested by its office and has nothing to report on this.

In conclusion, based on the information received from the company and obtained through the supervisory activity carried out, there are no comments reservations to make.

Therefore, the Board of Statutory Auditors calls upon the Shareholders' Meeting to approve the financial statements for the year closed as at 31 December 2019, as prepared by the Board of Directors, and entrusts the Shareholders' Meeting with any resolution regarding the allocation of profits in compliance with the articles of association. In light of the Coronavirus pandemic that is affecting the world economy and the findings of the Board of Directors' meeting held on 24/03/2020, the Board of Statutory Auditors suggests that the recommendations expressed by the European Central Bank and adopted by Bank of Italy on 27/03/2020 should be followed, i.e. that profits should be used to strengthen equity by putting the financial system in the best position to absorb losses that will arise due to the health emergency and to continue to support the economy. It is suggested that dividends, including the distribution of reserves, should not be paid until at least 01/10/2020.

In view of the operational difficulties linked to the spread of Covid-19, the extensive report adopted unanimously by the Board of Statutory Auditors can only be signed by the Chairman by way of exception.

San Marino, April 2, 2020

The chairman of the Board of Statutory Auditors

Avv. Alfredo Amici