



BSI

banca sammarinese
di investimento

Financial Statements
Year 2020

TABLE OF CONTENTS

CORPORATE OFFICIERS AS OF 31/12/2020	3
PRESENCE WITHIN THE TERRITORY: BRANCHES	4
BOARD OF DIRECTORS' REPORT ON MANAGEMENT	5
THE MACROECONOMIC SCENARIO	5
FINANCIAL MARKETS	8
ECONOMIC TRENDS IN THE ITALIAN REPUBLIC	10
ECONOMIC TREND IN THE REPUBLIC OF SAN MARINO	12
THE SAN MARINO FINANCIAL SYSTEM	15
THE REFERENCE LEGISLATION INTRODUCED IN 2020	17
BANCA SAMMARINESE DI INVESTIMENTO	19
RECLASSIFIED STATEMENT OF ASSETS AND LIABILITIES	23
RECLASSIFIED PROFIT AND LOSS ACCOUNT	24
HIGHLIGHTS AND INDICATORS	25
STATEMENT OF CASH FLOW	27
SUBSEQUENT EVENTS	28
BUSINESS OUTLOOK	28
RECOMMENDATION FOR APPROPRIATION OF PROFITS	29
FINANCIAL STATEMENTS	30
BALANCE SHEET - ASSETS	30
BALANCE SHEET - LIABILITIES	31
BALANCE SHEET - GUARANTEES AND COMMITMENTS	32
PROFIT AND LOSS ACCOUNT	33
EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS	35
Section A - ACCOUNTING PRINCIPLES	35
Section B - INFORMATION ON THE STATEMENTS OF ASSETS AND LIABILITIES - ASSETS	42
Section C - INFORMATION ON THE STATEMENTS OF ASSETS AND LIABILITIES - LIABILITIES	70
Section D - INFORMATION ON THE STATEMENTS OF ASSETS AND LIABILITIES - GUARANTEES AND COMMITMENTS	81
Section E - INFORMATION ABOUT THE STATEMENT OF ASSETS AND LIABILITIES - MEMORANDUM ACCOUNTS	87
Section F - INFORMATION ABOUT THE PROFIT AND LOSS ACCOUNT	91
Section G - OTHER INFORMATION TABLES	103
Section H - OTHER INFORMATION	107

CORPORATE OFFICIERS AS OF 31/12/2020

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Share Capital € 21.500.000,00 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

Gabriele Monti Chairman

Emanuel Colombini Directors
Paolo Mularoni
Ferdinando Novara
Neni Rossini

Board of Auditors

Alfredo Amici Chairman

Marco Cevoli Standing Auditors
Alessandro Olei

Pierluigi Rossetti Managing Director

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

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BOARD OF DIRECTORS' REPORT ON MANAGEMENT

THE MACROECONOMIC SCENARIO

2020 will go down in history as the year of COVID-19. The pandemic triggered one of the most dramatic global crises, the worst since the Great Depression, even surpassing the 2008 financial crisis.

The International Monetary Fund (IMF) predicted a global economic contraction of -4.9%, but this contraction was not felt equally by different countries and regions of the world. Different levels of exposure to the disease, different short and long-term recovery strategies and resilience as well as pre-existing socio-economic inequalities are key elements in defining a new global ranking in the post-COVID era.

As the first economy affected worldwide by Coronavirus, China responded immediately with a severe lockdown in the Wuhan region (area of origin of the virus), and then with restrictions affecting the entire country. The containment measures had the immediate effect of producing a GDP contraction of -6.8% in the first quarter of 2020. On May 22, in response to the deteriorating economic situation, the Beijing government adopted a substantial fiscal stimulus plan amounting to approximately \$680 billion (4.5% of GDP).

Funds were disbursed to local governments to encourage the construction or upgrading of local infrastructures (thus choosing not to resort to large national plans) or support for private demand. In addition, the plan focused on increased expenditure in the health sector to control and fight the epidemic, funds for unemployment insurance, tax reductions and temporary exemption from social security payments. A growth target for 2020 was not adopted for the first time, a sign that the Chinese government's activities focused on stabilizing unemployment and markets, rather than pursuing pre-pandemic growth targets.

China emerged from recession in the second quarter of the year with an increase in GDP of 3.2% on an annual basis, partly due to the easing of containment measures. This is an absolute exception among the member states of the G20, which recorded an overall fall in GDP of -9.1% in the second quarter. Overall, the OECD estimates an increase in GDP of 1.8% for China in 2020 and an acceleration in 2021 with an estimated growth of 8%.

The USA experienced a decidedly different and, in some ways, more worrying situation, with a 31.7% drop in GDP in the second half of 2020, following a -3.7% contraction in the first quarter of the year. The US Administration countered with a series of fiscal packages worth a total of around \$3 trillion. The measures included, among other things, the use of \$44 billion from the Disaster Relief Fund to ensure the renewal of unemployment protection and deferment of social security payments and measures to support rents. The second pillar is the \$483 billion Paycheck Protection Program and Health Care Enhancement Act, passed in April 2020. The package includes additional non-refundable loans for small and medium-sized businesses which undertake not to lay off their workers; loans and subsidies to small businesses; support for hospitals to strengthen swabs and serological tests for the population.

Previously, the Coronavirus Aid, Relief and Economy Security Act ("CARES Act") entered into force for a value of approximately \$2.3 trillion (equal to 11% of GDP). The plan ensured tax refunds to American citizens, up to \$1,200 per person, with immediate crediting to the bank account, as well as targeted initiatives for unemployment protection, food assistance to the neediest, loans for companies which undertake not to lay off their workers and numerous other support interventions. The OECD, in its September forecast, estimated a GDP contraction of -3.8% in 2020 and a rebound of 4% in 2021.

As for the Eurozone, there was a GDP contraction of -3.6% in the first quarter of 2020, followed by a drastic reduction of -11.8% in the second quarter due to the restrictive lockdown measures and the dramatic pandemic numbers. The countries most affected include Spain with contractions of -5.2% in the first quarter of 2020 and -18.5% in the second, Portugal with -3.8% in the first and -14.1% in the second quarter of 2020, and France with -5.9% and -

13.8%. Faced with this critical scenario, each EU country drafted national recovery plans in line with the recommendations and priorities established by the European Commission for the distribution of the Recovery Fund through the Next Generation EU project amounting to €750 billion, of which 390 billion in non-repayable grants and 360 billion in loans.

Despite the various recovery plans, due to the negative impact of the pandemic, combined with pre-existing structural deficiencies in some economies in the region, the economic outlook for the whole of 2020 drawn up in the latest ECB bulletin of September 24 remains negative, with forecasts of -8% for the Eurozone.

GDP growth and inflation in the euro area (percentage changes)				
	GDP growth			Inflation
Countries	2019	2020 (1st quarter)	2020 (2nd quarter)	2020 (September)
France	1,5	-5,9	-13,8	(0,0)
Germany	0,6	-2,0	-9,7	(-0,4)
Italy	0,3	-5,5	-13,0	(-0,9)
Spain	2,0	-5,2	-17,8	(-0,6)
Euro Area	1,3	-3,7	-11,8	(-0,3)

Source: elaboration on national statistics and Eurostat data

A significant reduction in GDP was also estimated for Russia, whose economic projections, again according to the OECD, forecast a recession of -7.3% for the year 2020, also in light of the negative impact of the COVID-19 pandemic. However, while this impact has been felt since February in the main EU countries, the virus seems to have arrived late in Russia, with the first case confirmed in the capital on March 2. Thanks in part to this delay, GDP thus registered an overall growth of 1.6% in the first quarter of 2020, decelerating compared to 2.1% in the last quarter of 2019. However, the second quarter of 2020 saw the Russian economy contract by another 8%, further damaged by the restrictive lockdown measures and the oil price crisis. To cushion the negative impact of the pandemic, the country adopted a \$149.8 billion recovery plan, about 9% of GDP.

The Asian continent was affected in a highly differentiated manner internally, both in terms of the epidemiological emergency and the economic impact of the pandemic on the different economies of the region.

The Asian Development Bank (ADB) confirmed the negative outlook for the total Asian developing economies, estimating a 2020 annual GDP contraction of -6.8%: the worst result since 1961. The rebound in 2021 will only be partial, with an expected growth of 6.1%. The Bank estimates the need for fiscal measures to counter the economic crisis at \$3.6 trillion (equal to 15% of regional GDP), in particular through income support policies.

The economies of Southeast Asia were not spared by the crisis, although they seem to be responding with greater tone. In the second quarter of 2020, compared to the same quarter of the previous year, Malaysia's economy contracted by -17.1%, the Philippines by -16.5%, Singapore by -13.2%, Thailand by -12.2% and Indonesia by -5.3%; only Vietnam managed to contain the damage, registering a marginal increase in growth of 0.4%. However, it should be remembered that before the crisis the latter country recorded GDP growth rates of 7% per annum, and that its close economic integration with China enabled it to benefit from the recovery of the Chinese economy in the second quarter of the year. A favourable moment was also confirmed by the entry into force of the free trade agreement between the European Union and Vietnam (the treaty will favour increases in bilateral trade flows, making the country one of the main logistics and commercial platforms for trade between Asia and Europe).

Asia's second-largest economy, Japan, suffered a contraction in economic activity in the second quarter of 2020 of

Year 2020

-7.8% compared to the first quarter of 2020, and -27.8% compared to the same quarter of the previous year. The collapse in exports (-18.5%) and consumption (-8.2%) contributed the most to the country's negative economic performance. In an attempt to stem the impact of the pandemic, the Japanese government adopted two successive stimulus plans of equal value. The first plan, the Emergency Economic Package Against COVID-19, was launched in April with a total value of \$1.14 trillion, equal to 21.1% of 2019 GDP. The second stimulus package, in force since June, replicates the amounts in the first plan.

The easing of restrictive measures and the consequent recovery of economic activities, together with the combined action of expansionary fiscal and monetary policy, could produce a slight recovery in the second half of the year. In fact, the OECD forecasts a contraction of -5.8% for the Japanese economy in 2020 and an extremely weak recovery in 2021, with an expected growth rate of 1.5%. In this context, however, trade figures for August show a 15% decrease in exports to the rest of the world compared to the previous year, with an even more marked contraction in imports (-20%). Not a good sign for a country in which the contribution of exports to GDP is fundamental.

Latin America was also hit very hard by the pandemic and may have to go through a lost decade of growth. Not only reduced GDP but also an unprecedented widening of inequalities in Southern and Central American societies. In 2020 alone, some 45 million Latin American citizens entered or will enter a state of poverty due to the pandemic as estimated by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC).

The entire area has been the global epicentre of the pandemic, accounting for 40% of new Coronavirus deaths globally, despite having only 8% of the global population. Brazil and Mexico took a mild approach to containing the virus, while other countries took stringent measures. Overall, the entire region entered a deep recession, which Bank of America estimates at -8.2%. An economic contraction which adds to the structural problems of Latin American economies, structurally worsening long-term imbalances.

There are two dangers that loom over the global economy which could contribute to further worsening the picture. Firstly, the rise in unemployment could worsen the crisis in global demand and induce a further downward spiral with a more severe contraction in GDP than already estimated. The second risk derives from the accumulation of the global debt stock due to the reduction in global production and the adoption of the various fiscal stimulus plans: a sudden increase that could amplify the risks of a new financial crisis. In addition, there are worrying epidemiological data in various emerging economies, as well as in Western Europe, which could further complicate the economic situation in the event of further containment measures.

The start of vaccination campaigns in early 2021 in most countries affected by the health emergency reflects favourably on the outlook for the medium term, but the timing and intensity of the recovery remain uncertain.

FINANCIAL MARKETS

International financial markets have also been strongly affected by the repercussions of the health emergency.

As the infection spread globally, the frailties of many national health systems emerged. The measures adopted to contain the contagions, including social distancing and the so-called lockdown, with the suspension of international flights, the closure of schools, limitations on the free movement of people even within national borders, the suspension of public events and the closure of various non-essential production activities amplified the scope of the health crisis, involving the various sectors of the economy in different ways.

Those excluded from the applicability of smart working, such as the industrial and personal services sectors, as well as tourism and catering, suffered the most significant losses, while other sectors, including pharmaceuticals, telecommunications or high tech were more or less positively impacted by the new lifestyle imposed.

The growing uncertainty regarding the global economic outlook triggered strong turbulence on stock markets which, on a global level, was reflected in large price drops and a sharp increase in volatility as early as the middle of the first quarter of the year, with the proclamation of a pandemic status by the WHO.

Concern for the markets had already characterized the beginning of 2020, with macroeconomic data signalling a slowdown at the end of January. Despite the fact that on the front of the US-China trade agreements the disputes were easing with the signing of Phase One and the US quarterly reports had exceeded expectations, at the end of February, after reaching their highs, the main stock markets were already negative.

Many investors were forced to sell in order to generate cash to cover margin calls. In this phase, European equities, U.S. equities and European High Yield bonds performed largely negatively compared to the beginning of the year. Only global Investment Grade bonds held up, with government bonds acting as safe havens, including the German Bund, which recorded a minimum yield of -0.883% on March 9, 2020. After the sharp decline in the first few weeks, however, European equity markets recovered slowly, thanks to the action of governments, central banks and financial market regulators, who adopted a range of measures to deal with the impact of the crisis.

At European level, in order to mitigate the repercussions on employment, the SURE (Support to Mitigate Unemployment Risks in an Emergency) program was activated with an available amount of €100 billion that will be used to complete the redundancy measures adopted by various European countries. The European Investment Bank (EIB) proposed the setting up of a pan-European guarantee fund for small and medium sized companies, amounting to €25 billion, which would aim to mobilize resources of up to €200 billion in the form of loans. An agreement was reached in Europe between April and May aimed at providing the European Stability Mechanism (ESM) with an additional reinforced precautionary credit line for a total amount of €240 billion.

On May 27, the European Commission proposed a new temporary European fund for reconstruction (Next Generation EU), amounting to €750 billion, in addition to the strengthening of the EU budget funds for the 2021-2027 period, amounting to a total of €1,100 billion.

At the same time, the European Central Bank (ECB) and the European Banking Supervisory Authority (EBA) adopted highly expansive measures to support the liquidity of the banking system and enable credit institutions to continue to adequately finance productive activities and households. Among the many measures adopted, the most important are: the reduction of reference interest rates; the launch of new refinancing operations with more advantageous terms; the mitigation of certain supervisory criteria. In addition, purchase programs for public and private financial assets, including commercial paper and bonds issued by non-financial companies (Pandemic Emergency Purchase Programme, PEPP) were also expanded.

The FED also acted by cutting rates to zero and launching unlimited Quantitative Easing, together with the aid boom and measures to support the economy approved at various stages by the US government and extremely more impressive than those in Europe.

However, the second pandemic wave that began in October, as in the other countries in the area, led to a new

contraction in output in the fourth quarter and significant drops on the main stock markets. In early November, the success of the vaccine tests, further monetary and budgetary support from central banks and the resolution of uncertainty linked to the presidential elections in the United States strengthened the optimism of operators on financial markets abroad and in Italy, favouring the start of rotation towards cyclical stocks. Finally, the rise of the euro against the dollar of around 8% since the beginning of the year reduced the performance of European investors exposed to exchange rate risk.

Year 2020

ECONOMIC TRENDS IN THE ITALIAN REPUBLIC

2020 will also go down in history as the year of COVID-19 for Italy. The health emergency triggered a very heavy crisis which affected the entire country, especially the tourism sector. Despite this, the higher-than-expected growth in the third quarter of 2020 showed strong resilience in the economy.

However, the second pandemic wave, as in the other neighbouring countries, led to a new contraction in output in the fourth quarter: on the basis of available indicators, this decline is currently estimated to be around -3.5%, although the uncertainty surrounding this estimate is very high.

The decline in activity was pronounced in services and marginal in manufacturing. Business evaluations have become less favourable, but remain far from the pessimism reached in the first half of last year; companies intend to expand their investment plans for 2021. According to households interviewed by the Bank of Italy, fears of contagion, rather than restrictive measures, are still slowing down consumption of services.

In the third quarter of 2020, the recovery of Italian exports of goods and services was significant, well above that recorded by world trade; it continued in autumn but with less vigour. Capital inflows and purchases of Italian government securities by non-residents resumed in the last months of last year.

In the summer quarter, with the reopening of activities suspended in spring, there was a sharp increase in the number of hours worked and a reduction in the use of wage subsidies. The number of employed positions started to rise again. The latest available data, however, indicate a new increase in the use of the CIG (unemployment benefit) starting from October, albeit at much lower levels than those reached during the first wave of the contagion. In November the recovery in the number of new jobs was substantially halted, showing a gap compared to the same period of the previous year, especially for young people and women.

PIL e principali componenti (1)					
<i>(variazioni percentuali sul periodo precedente; contributi alla crescita per variazione delle scorte ed esportazioni nette)</i>					
VOCI	2019		2020		2019
	3° trim.	4° trim.	1° trim.	2° trim.	
PIL	0,0	-0,2	-5,5	-13,0	0,3
Importazioni totali	0,2	-2,8	-5,3	-20,6	-0,6
Domanda nazionale (2)	0,3	-0,8	-4,8	-11,0	-0,1
Consumi nazionali	0,1	-0,1	-5,4	-8,5	0,3
spesa delle famiglie (3)	0,2	-0,1	-6,8	-11,4	0,4
spesa delle Amministrazioni pubbliche	0,0	-0,1	-1,1	-0,3	-0,2
Investimenti fissi lordi	0,1	-0,2	-7,7	-16,2	1,6
costruzioni	0,9	-0,4	-6,7	-22,2	2,5
beni strumentali (4)	-0,5	0,0	-8,4	-11,2	0,9
Variazione delle scorte (5) (6)	0,2	-0,7	1,1	-1,2	-0,7
Esportazioni totali	-0,8	-0,8	-7,5	-26,4	1,0
Esportazioni nette (6)	-0,3	0,6	-0,9	-2,3	0,5

Fonte: Istat.

The change in consumer prices remained negative, reflecting price trends in the service sectors most affected by

Year 2020

the crisis, whose dynamics continue to be affected by weak demand. The inflation expectations from analysts and companies remain very low over the next twelve months.

Italian banks continued to meet the demand for funds from businesses. Overall, supply conditions remained relaxed thanks to continued support from monetary policy and public guarantees. The cost of bank bond funding was further reduced and interest rates on loans to businesses and households remained at low levels.

In response to the worsening of the health emergency, the Government launched additional measures to support households and businesses in the last quarter of 2020. The budget manoeuvre provides for an increase in net borrowing, compared to the framework under current legislation, in the current year and the following year.

An additional expansive impulse would come from the interventions to be defined in the context of the Next Generation EU. In fact, Italy has the largest share of European funds, with €82 billion in subsidies and €17 billion in loans. Elements proposed by the EU in support of member countries, such as the “Support to mitigate Unemployment Risks in Emergency” (SURE) program, for job protection, and credit line guaranteed by the European Stability Mechanism (ESM), the expansion of the solidarity fund and the suspension of the Stability Pact, can be added to the €55 billion recovery plan of May which focuses on three main “strengthening axes”, such as digitalization and innovation, green revolution and gender equality and inclusion.

It can be assumed that the health emergency will gradually return under control in the first half of 2021 and will completely be overcome by 2022, that the strong support of budgetary policy will continue, reinforced by the use of the funds available under the NGEU, that the monetary policy will ensure that favourable financial conditions are maintained throughout the period, as provided for by the ECB Governing Council.

On the basis of these assumptions, output will return to significant growth from spring, with GDP growth currently estimated at 3.5% on average in 2021, 3.8% next year and 2.3% in 2023, when levels prior to the pandemic crisis will be recovered. Investments will resume sustained growth, benefiting from the stimulus measures, and exports will recover considerably; however, the recovery in consumption will be more gradual, with only partial reabsorption of the greater propensity to save observed since the outbreak of the epidemic. Inflation is expected to remain low this year as well, and then rise gradually in the two-year period 2022-23.

ECONOMIC TREND IN THE REPUBLIC OF SAN MARINO

The economic trend recorded last year was no different from that recorded in Italy, with a health emergency which was among the most serious in the world right from the first wave.

Tourism was also the hardest hit sector in San Marino, with a 47% drop in inflows in 2020.

Analyses carried out in April 2020 by the International Monetary Fund (IMF), an institution with which San Marino has long established a close working relationship, predicted a contraction in real GDP (i.e., the measurement of the total income of all subjects participating in an economic system, adjusted for changes in price levels) of 12.2% (the worst performance in Europe). However, the estimate foresaw a reversal of the trend from 2021, with GDP growth estimated at 5.4%.

During the month of December and again in January 2021, the IMF carried out further checks and meetings to discuss economic and financial issues and review progress on the structural reform agenda. The official communication confirms that the choices made by the executive are in line with the expectations of international bodies and the IMF in particular, which evaluates the economic initiatives implemented and presented as very positive. The Fund recognized the validity of all the measures that the Congress of State adopted in dealing with an extraordinary circumstance, such as the one caused by Covid-19. In addition, it renewed the focus on fiscal sustainability, making explicit reference to the introduction of VAT, rationalization of tax exemptions, pension reform and efficiency gains in public spending.

The adopted policies were particularly appreciated, sometimes in a different way compared to neighbouring Italy, aimed at allowing production continuity to companies, which remained open, in full lockdown, at 50% of their production capacity, then at 100% once the implementation of all protective provisions and medical recommendations on the matter had been verified. The adoption of more restrained measures was also possible due to the specificities of our territory, both in commercial and industrial terms. These interventions allowed the system to hold up, also in terms of internal consumption.

Towards the end of the year the Republic finalized a 12-month credit line of €150 million with the multinational CARGIL. As early as October, the placement of the first San Marino government security reserved for foreign investors had been launched, without however reaching a final settlement. This financing operation was only concluded, with great success, in February 2021, with the placement of a €340 million security, with a duration of three years and an interest rate of 3.25%.

Returning to the statistical data, it should be noted that inflation continues to remain very low (0.3%).

The number of people employed in the private sector decreased slightly from 19,969 (average 2019 employees) to 19,899 (average 2020 employees), thus registering a decrease of 0.35%.

The manufacturing sector remains the leading sector from an employment point of view, absorbing almost 33% of employees, followed by commerce with 14%, while the other economic sectors, from this point of view, are less relevant.

Year 2020

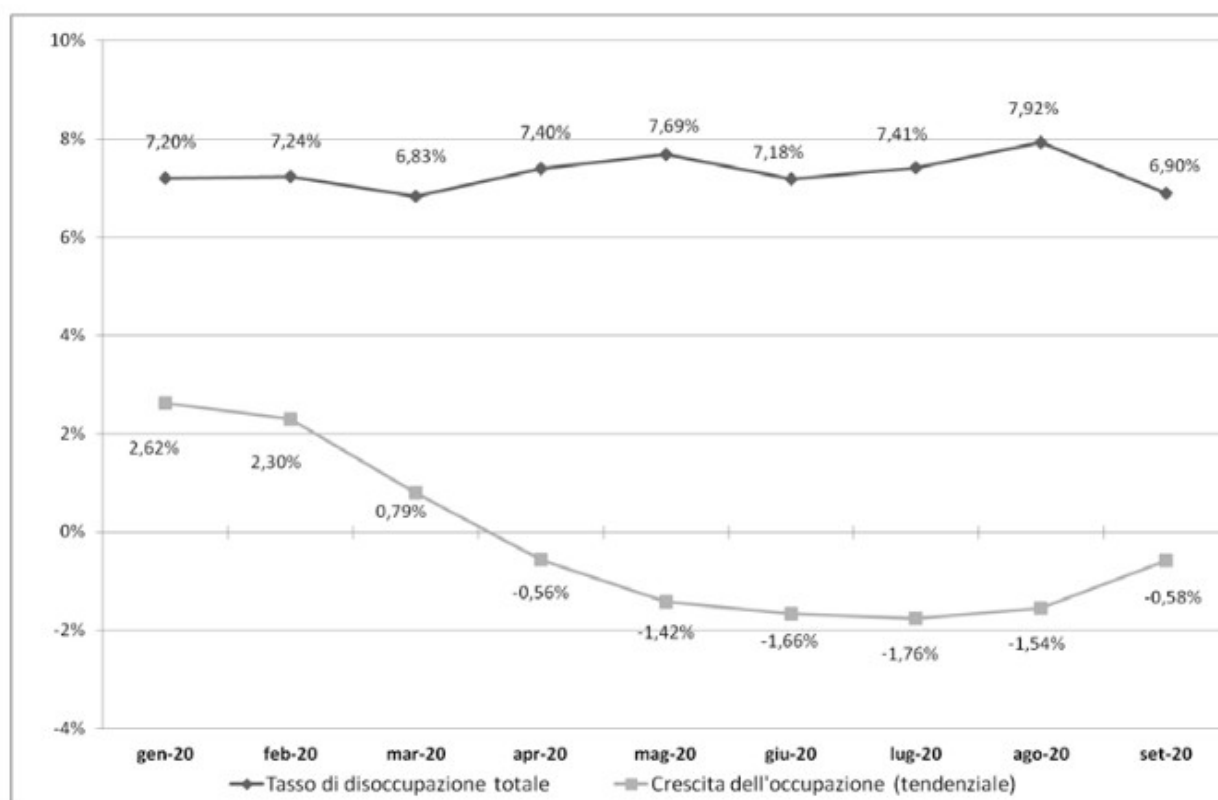
Occupational variation (%)

Unemployment rate (%)

	Variazione Occupazionale (%)					Tasso di disoccupazione (%)				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
San Marino	-0,4	1,0	1,1	2,4	2,6	9,2	8,6	8,1	8,0	7,7
Area Euro	1,1	1,8	1,5	1,4	1,2	10,9	10,0	9,1	8,2	7,6
Germania	0,8	2,5	1,0	0,6	1,2	4,6	4,2	3,8	3,4	3,1
Spagna	3,0	2,7	2,6	2,7	2,3	22,1	19,6	17,2	15,3	14,1
Francia	0,3	0,7	0,8	0,9	0,4	10,4	10,0	9,4	9,0	8,5
Italia	0,8	1,3	1,2	0,8	0,6	11,9	11,7	11,3	10,6	9,9
Regno Unito	1,7	1,5	1,0	1,2	1,1	5,4	4,9	4,4	4,1	3,8
Stati Uniti	1,7	1,7	1,3	1,6	1,1	5,3	4,9	4,4	3,9	3,7
Giappone	0,5	1,0	1,0	2,0	0,9	3,4	3,1	2,9	2,4	2,4

Fonti: FMI-World Economic Outlook 10/2020; www.statistica.sm.

The table shows the figure for employment and total unemployment rate in San Marino and major advanced economies. 2019 saw a positive employment change, mainly driven by frontier workers. Compared to the economies surveyed, San Marino recorded the largest increase, more than double compared to the euro area.



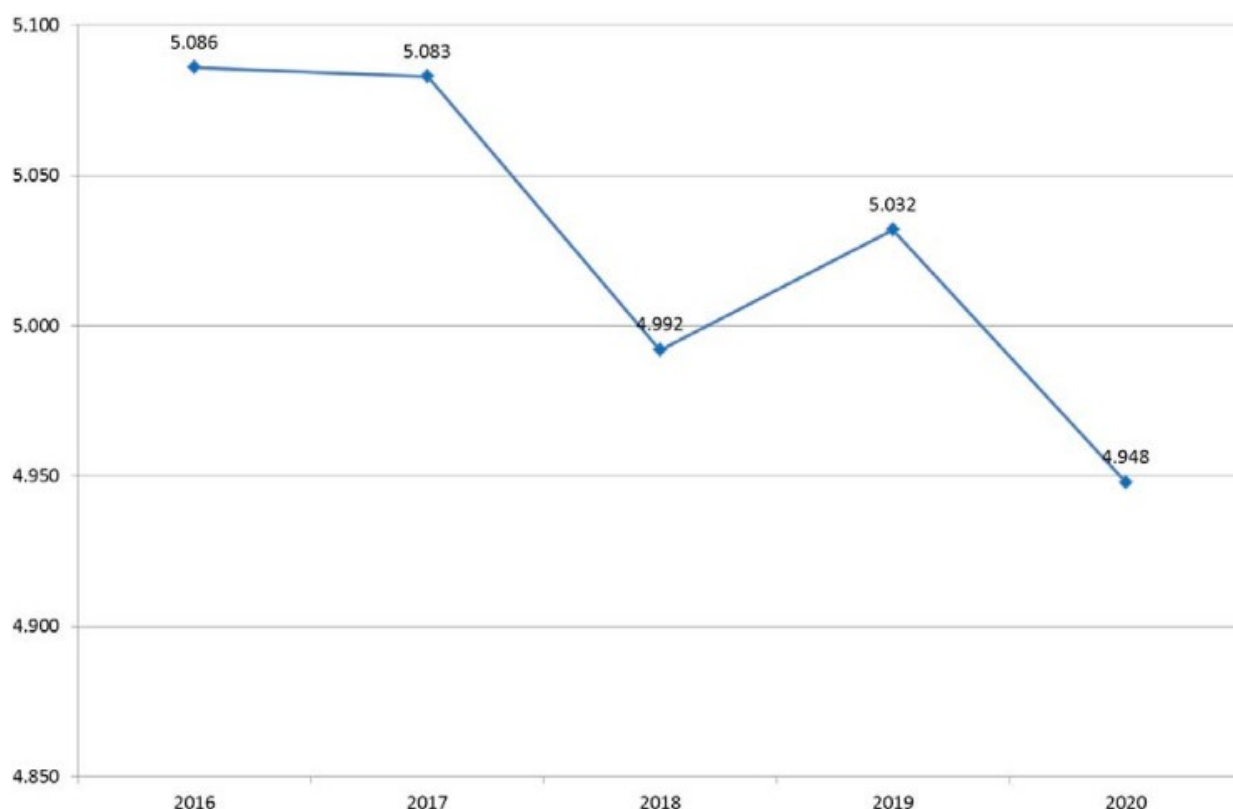
Year 2020

An analysis of the first nine months of 2020 does not show a particular increase in the unemployment rate, which remains almost unchanged, if not slightly down from the values recorded in 2019. Employment growth, on the contrary, begins its downward phase since April 2020. The different dynamics of the two indicators reported on the labour market is explained by the fact that the employment growth or decrease considers all workers, residents and cross-border workers, while the unemployment rate only evaluates the internal situation of the country and does not consider cross-border workers as unemployed.

The wider public sector, despite periodically announced reforms by various governments, keeps the number of employees substantially unchanged. The 2020 average is 3,688 employees versus the 2019 average of 3,697. Employees in this sector represent 18.53% of the total. The percentage, already significant, has an even greater incidence if only San Marino residents are taken into account, with the exclusion of cross-border workers. Employees of San Marino companies governed by private law but controlled, directly or indirectly, by the Eccellentissima Camera (Central Bank of the Republic of San Marino, Banca Nazionale Sammarinese, Cassa di Risparmio della Repubblica di San Marino and Giochi del Titano) are excluded from the calculation.

Economic activities (companies, sole proprietorships, freelancers) decreased to 4,836 active players as of 31/12/2020 (the previous year there were 5,032). The dimensional structure of San Marino enterprises is that of the "micro-enterprise" (with less than 10 employees), representing approximately 94% of the total. There are only 13 companies with over 100 employees.

Total business trends over the past five years (2020 data as of September 30)



As of 12/31/2020, there are 33,627 residents in the Republic, up from 33,574 as of 12/31/2019. Castello di Serravalle is confirmed as the most populated, with nearly 11,000 residents.

THE SAN MARINO FINANCIAL SYSTEM

As of 12/31/2020, the financial sector consisted of 12 authorized entities, down from the previous year (there were 13 as of 12/31/2019). Thus, the phenomenon of reduction in the number of entities supervised by CBSM continues. As of today, only 4 credit institutions are fully operational (compared to 12 on the market only a decade ago).

Among the most relevant events recorded last year is certainly the issuance of an irredeemable debt security by the Eccellentissima Camera, therefore without maturity, for €455 million, reserved exclusively for the conversion of the assets recorded in the Cassa di Risparmio della Repubblica di San Marino's balance sheet pursuant to article 5-ter of Decree Law 93 of 07/08/2017 (which had allowed the distribution of balance sheet losses over 25 years). In essence, the Eccellentissima Camera issued a debt security without maturity for €455 million, taking on only the commitment to the annual payment of interest (1.75%). It is hoped that this operation will enable Cassa di Risparmio della Repubblica di San Marino to return to profitability.

The final steps in the resolution procedure of Banca Nazionale Sammarinese (formerly Banca CIS) were finalized in spring. This was a measure of great importance which made it possible to resolve, thanks to the involvement of all stakeholders, a crisis situation with potential systemic effects. The commitment of all the parties involved led to an agreement between the State and the pension funds for the segregation of deposits at Banca CIS through a public vehicle and allowed for the removal of the capital deficit by the Finance Commission. Through the agreement on the transfer of assets and liabilities, signed between the BNS on the one hand and our institution, BAC and BSM on the other, protection was ensured for BNS customers, thus determining the successful outcome of the resolution procedure.

Thus, the three-year period (2017/2019) which will be remembered as one of the worst periods for the San Marino banking and financial system came to an end.

The statistical data published by CBSM as of 30/09/2020 (last available survey) show a situation substantially in line with the end of 2019. Total deposit is slightly decreasing (from 5,253 million on 31/12/2019 to 5,177 million on 30/09/2020, - 1.44%); however, it should be noted that the decrease is attributable to direct deposit only, as indirect deposit remains essentially unchanged. The amount of gross loans to customers is still decreasing, which as of 30/09/2020 stood at 2,552 million (- 3.15% compared to the end of 2019).

The table below summarizes the aggregate system data for the last five years, which help to understand the situation and dynamics recorded by the San Marino financial system.

	31/12/2016	31/12/2017	31/12/2018	31/12/2019	30/09/2020
Direct deposit	4.535	3.975	3.861	3.631	3.554
Indirect deposit	1.833	1.806	1.627	1.622	1.623
Total deposit	6.368	5.781	5.488	5.253	5.177
Gross loans	3.310	3.144	2.829	2.636	2.552
Net Equity	399	347	328	230	222

CBSM source – data in millions of euros.

Net equity figure includes provision for general banking risks.

In San Marino, as in many other European countries, the main problem of the system, that of non-performing loans, which have an important impact on the general data, is still unresolved. As of 30/09/2020 gross non-performing loans, exceeding €775 million, represented 30.4% of gross loans to customers, with a coverage ratio on doubtful loans of 64.5%. All indicators related to NPLs deteriorated slightly compared to 31/12/2019.

Two projects were launched in early 2021 that will have a major impact on this issue. The first project, “Provisions on procedures and civil law”, focuses on the reform of credit recovery procedures and is preparatory to the second project, “Measures and instruments for credit securitization”.

The overall net equity of San Marino banks (including the general banking risk fund) continued to fall, from approximately €230 million on 31/12/2019 to €222 million on 30/09/2020. The capital shortage of the system represents another highly critical factor, on which the efforts of the authorities, mainly the Central Bank, are focusing to find a viable solution.

THE REFERENCE LEGISLATION INTRODUCED IN 2020

The most significant regulatory interventions with an impact on the San Marino banking and financial sector, issued in 2020, are reported below:

Primary legislation

Decree Law no. 141 of 19 August 2020 - Amendment to the provisions of paragraph 2 of article 15 of the Decree - Law no. 122 of 24 July 2020

Cessation of the extraordinary measures for the extension of deadlines for proceedings or activities falling within the competence of the Central Bank of the Republic of San Marino.

Decree Law no. 122 of 24 July 2020

Cessation of the extraordinary measures for the extension of deadlines for proceedings or activities falling within the competence of the Central Bank of the Republic of San Marino

Law no. 113 of 7 July 2020 - Article 3

A change to the state and Enlarged Public Sector Entities budget for the 2020 financial year and amendments to Act 157 of 19 November 2019.

Delegated Decree no. 126 of 27 July 2020 (Ratifying Delegated Decree no. 107 of 30 June 2020)

New mission of Banca Nazionale Sammarinese S.p.A.

Regulation 7 referred to in Article 2, paragraph 2, of Law no. 57 of 29 March 2019

Measures to Prevent, Combat and Suppress the Financing of Terrorism, the Proliferation of Weapons of Mass Destruction, and the Activities of Countries that Threaten International Peace and Security.

Decree Law no. 154

Provisions on the fight against terrorism - amendments to the penal code

Decree Law no. 153

Adaptation of national legislation to international conventions and standards on the processing of personal data and the prevention and combating of money laundering and terrorist financing.

Decree Law no. 148

Provisions on the fight against terrorism - amendments to the penal code

Decree Law no. 33

Adaptation of national legislation to international conventions and standards on preventing and combating money laundering and terrorist financing.

CBSM regulatory activity

Regulation 2020-05

Regulation amending Regulation 2007-01 on reporting procedures pursuant to article 68 of Law no. 165 of 17 November 2005.

Regulation 2020-04

Regulation of payment services and e-money issuance (payment institutions and IMEL)

Regulation 2020-03

Regulation on independent financial advisors

Regulation 2020-02

Regulation amending Regulation 2010-01 for the professional exercise of the office of trustee in the Republic of San Marino.

Regulation 2020-01

Summary of targeted revisions to existing supervisory regulations (with corrigendum)

Regulatory activities of the Financial Intelligence Agency (FIA)

Circular no. 5

Additional measures to be taken by designated entities when they hold branches or majority-owned subsidiaries in countries with specific AML/CFT restrictions.

Circular no. 4

Appointment of central contact points for e-money issuers and payment service providers.

Circular no. 3

Procedure for reporting violations pursuant to art. 31, paragraph 2 of Law 92/2008

Guidelines no. 2

Countering the proliferation of weapons of mass destruction programs and their financing.

Instruction no. 8

Provisions regarding disclosure data accompanying transfers of funds.

BANCA SAMMARINESE DI INVESTIMENTO

Since 2012, Banca Sammarinese di Investimento SpA has distinguished itself as a retail bank, at the service of households and businesses in the area, with the aim of protecting and enhancing the value of savers' deposits and assisting both the private and productive sectors through targeted loans.

Last year, the Bank reached 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. Against this, the new industrial plan for the years 2021-2023 was approved, which in setting new ambitious goals, looks at a possible entry into new markets in the near future.

The 2020 final balance is to be considered extremely positive, in part because it was achieved in the year marked by the health emergency for Covid-19.

In order to deal with the epidemiological risk, the Bank promptly adopted all the preventive measures and complied with the measures ordered by the health authorities which, among other things, reduced the number of staff in service for a long period and placed restrictions on public access.

The ambitious objectives set by the previous business plan were largely exceeded in terms of deposits (both in terms of volume and quality) and new customers. It should be noted that, at the end of 2020, substantial volumes of direct and indirect deposits were acquired in relation to the depository bank activity that BSI began to carry out on behalf of Scudo Investimenti SG, a management company controlled by Banca Nazionale Sammarinese SpA.

The objectives set for the credit sector were also achieved. However, the Bank's approach to credit is still based on the utmost prudence, given the worsening of the market situation following the persistence of the health emergency.

BSI was particularly active in managing the extraordinary initiatives promoted by the San Marino government to support local economic activities. Reference is made to Legislative Decree 55/2020 which regulates the granting of a moratorium, until 31/03/2021, on the repayment of principal on various types of loans disbursed over the years to companies and private individuals (approximately 1/3 of the loans disbursed by our bank have benefited from this incentive) as well as Legislative Decree 62/2020 relating to the granting of loans to support the needs of companies and individuals in difficulty, guaranteed by the Eccellentissima Camera. In this regard, it should be noted that our Bank has disbursed around 50% of the contracts stipulated under the aforementioned decree throughout the Republic.

The Private Banking sector, relating to banking and financial services provided to high standing customers, remains a key element of our business. The development of this sector, also through continuous staff training, remains a priority, with the aim of providing the same services to foreign customers with specific needs in the near future.

It should be remembered that our Bank was the first bank on the San Marino market to issue its own credit cards. The decision taken in the past to manage the credit card service in complete independence has proved to be a winning one. Today, the structure deals with all issuing and acquiring activities, as well as the placement of revolving cards.

Let us briefly review the main 2020 events that affected the Bank.

During the first half of the year, the corporate structure completed the activities connected with the sale of the assets and liabilities relating to the Banca CIS resolution procedure. Our intervention, together with that of Banca Agricola Commerciale-Istituto Bancario Sammarinese and Banca di San Marino, made it possible to meet the payment of the so-called "protected liabilities"; other assets and liabilities were also purchased. This complex

Year 2020

operation was inherent in a systemic intervention, in order to allow for the prompt repayment of deposits to customers.

In the second half of the year, after a long period of study and assessment, migration to the new information system was formally launched. This activity, which is of fundamental strategic importance, will be the main focus of the structure in the coming months, given the deadline for the transition to the new management system, set at the end of 2021. This deadline must be considered urgent, considering that, on 31/12/2021, all services currently provided by Informatica Bancaria Trentina, our historical partner, will cease. After a careful analysis and selection of the main banking information systems, the company Enterprise Spa of Rome was chosen. Since last August, a team of 6/8 employees have been permanently present at the headquarters, in addition to the staff employed remotely. In these months, and even more so as the deadline approaches, the commitment required of the bank's structure will be considerable, in terms of human resources and time, to support all the analysis, development and testing activities of all management functions.

As of 31/12/2020, the Bank's workforce remained unchanged from the previous year.

Two retirements were recorded in December and in the first days of the new year the staff previously in service pursuant to the transfer agreement signed in September 2009 were hired on an indefinite basis, as "secondments" from Banca Nazionale Sammarinese (5 employees).

As of 31/12/2020, the staff was distributed as follows: 26 employees in the commercial network and 27 employees in the management offices.

The average age of staff is 40 years, while the incidence of female staff is 42% (data substantially unchanged from the past).

44% of employees are university graduates or have obtained a university degree.

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

In compliance with the regulations in force, the Bank set up the Risk Committee and the Anti-Money Laundering Committee, collegial bodies with inter-functional liaison functions, created with the aim of supporting the General Management and the Heads of competent Organizational Units in interpreting the phenomena connected with the current and potential risks that characterize the Bank's performance, with a view to an informed assumption of risk and the definition of the most appropriate management lines.

As in the past, the Internal Audit function remains outsourced and entrusted to the company Baker Tilly Revisa of Bologna. As of January 1, 2021, the activity will be carried out by Summa Audit Srl, a company founded by long-standing collaborators of the Baker Tilly company, whom we already know and appreciate.

As far as staff training is concerned, we must, unfortunately, point out that the health emergency has prevented or made it extremely difficult to hold face-to-face meetings, leading to a significant delay in planned educational initiatives. Despite the objective difficulties, a number of training activities were carried out online, including the anti-money laundering course held in July by SP Consulting Srl for all staff.

The staff of the Legal and Litigation Office, together with some employees of the Credit Area, took part in two face-to-face events organized by the San Marino Banking Association in collaboration with the Matteo Mularoni Law Firm, on October 9 and 16, on the theme "Responsibility in managing crisis situations in Italy and San Marino, a divergent parallelism".

As every year, the Trustee Manager and the qualified colleagues participated in the technical refresher course for maintaining the qualification by the Academy of Trust of the Republic of San Marino, organized for 2020.

Year 2020

The main balance sheet and income statement figures are reported below.

Total deposits at the end of 2020 amounted to €1,028,372,454, of which €577,186,026 in savings deposits and €451,186,428 in indirect deposits. The figure compared to the previous year, shows an increase of over €221 million (+27.41%) also by virtue of the “depository bank” service provided on behalf of Scudo Investimento SG Spa.

As regards the Bank's treasury, this is the situation regarding liquid assets as of 31/12/2020:

a) €169,235,492 deriving from interbank deposits (on demand and term) and foreign currency deposits;
b) €281,771,038 deriving from debt securities, and marginally equity securities, distributed among various issuers; in particular, the trading portfolio amounts to €60,318,082 while investment securities amount to €221,452,956. The trading portfolio includes units of the Odisseo NPL Fund for a countervalue of €10,657,140, acquired following the sale of Banca CIS assets.

The total treasury therefore amounts to €451,006,530.

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

On the credit side, the 2020 financial year saw an increase in loans to ordinary customers, which amounted to €167,371,867 at the end of the year (+7.51% compared to 2019) gross of value adjustments and including finance leases. The bank continues to pursue a credit granting policy aimed at splitting the same, both in terms of number of positions entrusted and technical forms used.

As regard non-performing loans (NPLs), as of 31/12/2020 there were gross non-performing loans of €11,724,910 with value adjustments of €6,391,609, gross substandard loans of €1,108,718 with value adjustments of € 103,227, restructured loans of €2. 710,658 with value adjustments of €131,599, as well as past due/overdue loans for €299,269 with value adjustments of €14,963 and unsecured loans from at-risk countries for €22,116 with value adjustments of € 111.

As a result, the non-performing loans under management amount to €15,865,671 (-11.30% compared to 2019) with a coverage ratio of 41.86%. We highlight that most of the aforementioned loans relate to mortgage and leasing transactions or in any case have privileged securities; situations that made it possible to contain loss forecasts.

The dynamics of doubtful loans to customers is adequately explained in the specific tables of the explanatory notes to the financial statements.

No changes were recorded as regards shareholdings held by the Bank. The bank has a minimal shareholding in the capital of the Central Bank of the Republic of San Marino Spa (1%) and a 10% shareholding in the share capital of Tenuta Santa Chiara Srl, a real estate company under San Marino law purchased for credit protection purposes.

Balance sheet ratios include the ratio of net loans to direct deposits of 27.74%, the ratio of net non-performing loans to net loans of 3.33%, the ratio of net equity to net loans of 27.09% and finally the R.O.E. of 13.77%.

The Bank's net equity as of 31/12/2020 amounts to €43,365,473.

Regulatory Capital, as determined according to the provisions of the Supervisory Authority, stands at €37,431,274 compared to €33,945,802 as of 31/12/2019. The Bank has adequate capital to cover potential risks, with a total capital ratio of 17.76%, well above the regulatory requirements (11%).

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

Among the profit and loss account items that recorded the greatest increases, we highlight the intermediation margin which rose from €13,263,839 in 2019 to €14,928,776 (+12.55%). The intermediation margin during the year was deeply affected by the health emergency. The valuation of the securities held, after having recorded a collapse in the first quarter, gradually increased over the following quarters.

At the same time, there was also a good increase in the interest margin (15.50%), which rose from €8,451,111 in 2019 to €9,760,653 in 2020. The reduction in coupon flow on the proprietary portfolio was offset by maintaining a good

Year 2020

“spread” on the rates applied to customers.

The profit made in 2020 amounts to €5,247,507, net of adjustments made on loans for € 945,897 and after having set up, during the year, a provision of € 1,000,000 for legal risks.

The provision for general financial risks remained unchanged at €5,000,000. We would like to remind you that the purpose of this fund is to cover the general business risk to which the bank is exposed; since it is similar to an equity reserve, it represents a positive component of the basic regulatory capital.

The economic result achieved is extremely satisfactory, representing the highest point reached by the Bank in its history. This figure is even more important considering the historical moment in which it was achieved.

RECLASSIFIED STATEMENT OF ASSETS AND LIABILITIES

ASSETS	31/12/2020	Impact	31/12/2019	Impact
Inter-bank loans	169.235.492	25,94%	140.778.196	22,48%
Customer loans	127.646.814	19,56%	117.188.847	18,71%
Debt and capital securities	281.771.038	43,18%	299.043.821	47,75%
Leased assets	32.451.708	4,97%	31.647.909	5,05%
AF INTEREST-BEARING ASSETS	611.105.052	93,66%	588.658.773	93,99%
Cash and cash equivalents	2.666.642	0,41%	2.671.535	0,43%
Holdings	819.348	0,13%	819.348	0,13%
Other assets	25.298.440	3,88%	24.911.791	3,98%
Accrued revenues and deferred expenses	1.002.949	0,15%	1.444.913	0,23%
ANF NON-INTEREST-BEARING ASSETS	29.787.379	4,57%	29.847.587	4,77%
Intangible fixed assets	1.508.360	0,23%	1.142.042	0,18%
Tangible fixed assets	10.078.583	1,54%	6.675.018	1,07%
AR REAL ASSETS	11.586.943	1,78%	7.817.060	1,25%
TOTAL ASSETS	652.479.374		626.323.420	

LIABILITIES	31/12/2020	Impact	31/12/2019	Impact
Debts with banks	2.861.805	0,44%	5.434.048	0,87%
Debts with customers	428.637.067	65,69%	400.279.718	63,91%
Debts represented by securities	147.666.029	22,63%	152.419.286	24,34%
PO BEARING LIABILITIES	579.164.901	88,76%	558.133.052	89,11%
Other liabilities	27.465.179	4,21%	28.115.145	4,49%
Accrued expenses and deferred revenues	139.225	0,02%	97.512	0,02%
Staff retirement allowances	292.001	0,04%	313.015	0,05%
Risks and costs fund	2.052.595	0,31%	791.345	0,13%
PNO NON-BEARING LIABILITIES	29.949.000	4,59%	29.317.017	4,68%
Fund for general financial risks	5.000.000	0,77%	5.000.000	0,80%
Corporate capital	21.500.000	3,30%	21.500.000	3,43%
Reserves / Revaluation Reserve	11.617.966	1,78%	7.632.351	1,22%
Profits (Losses) for the financial year	5.247.507	0,80%	4.741.000	0,76%
PAT ASSETS	43.365.473	6,65%	38.873.351	6,21%
TOTAL LIABILITIES	652.479.374		626.323.420	

RECLASSIFIED PROFIT AND LOSS ACCOUNT

	PROFIT AND LOSS ACCOUNT	31/12/2020	Var.	31/12/2019
	Interests received and proceeds	12.237.139	5,28%	11.623.261
	Interests paid and costs	(2.476.486)	(21,93%)	(3.172.150)
MI	INTEREST MARGIN	9.760.653	15,50%	8.451.111
	Commissions earned	4.135.768	3,80%	3.984.319
	Commissions paid	(1.329.874)	9,69%	(1.212.351)
CN	NET COMMISSIONS	2.805.894	1,22%	2.771.968
	Dividends and other proceeds	-	-	-
	Profits (Losses) from financial operations	2.362.229	15,75%	2.040.760
MINT	INTERMEDIATION MARGIN	14.928.776	12,55%	13.263.839
	Administrative costs	(6.279.404)	4,06%	(6.034.679)
	Value adjustments on intangible fixed assets	(330.228)	15,21%	(286.619)
	Value adjustments on tangible fixed assets	(6.272.918)	(34,54%)	(9.582.190)
	Other operating proceeds/costs	6.456.104	(34,19%)	9.810.519
CO	OPERATING COSTS	(6.426.446)	5,47%	(6.092.969)
RG	GROSS OPERATING PROFIT	8.502.330	18,57%	7.170.870
	Funding of risk provisions	(1.000.000)	-	-
	Value adjustments on credits	(945.897)	(37,24%)	(1.507.200)
	Value adjustments on financial activities	-	(100,00%)	(198.007)
	Extraordinary proceeds/costs	(444.410)	(124,35%)	1.824.924
	Variation to the fund for general banking risks	-	(100,00%)	(2.000.000)
RL	PROFIT FOR THE FINANCIAL YEAR	6.112.023	15,53%	5.290.587
	Financial taxes	(864.516)	57,30%	(549.587)
RN	PROFIT FOR THE FINANCIAL YEAR	5.247.507	10,68%	4.741.000

HIGHLIGHTS AND INDICATORS

Key balance sheet figures (in EUR)

	31/12/2020	31/12/2019	31/12/2018	31/12/2017
Total assets	652.479.374	626.323.420	503.605.222	467.083.476
Net lending	160.098.522	148.836.756	133.470.717	119.638.153
Net non-performing loans	9.224.162	11.622.941	11.002.642	11.886.974
Provision for adjustments on doubtful loans	7.273.345	6.842.911	6.233.222	7.062.647
Direct collection	577.186.026	553.498.661	434.928.532	408.170.049
Indirect collection:	451.186.428	253.639.499	274.706.585	223.181.083
- Operated	212.737.792	151.844.350	175.219.933	141.453.635
- Managed	210.237.702	101.795.149	99.486.652	81.727.448
- Custodian Bank	28.210.934	-	-	-
Net equity	43.365.473	38.873.351	32.132.352	34.320.774

Main structural and operational highlights

	31/12/2020	31/12/2019	31/12/2018	31/12/2017
Number of employees	53	48	50	45
Counters	6	6	6	6

Main economic data (in EUR)

	31/12/2020	31/12/2019	31/12/2018	31/12/2017
Interest margin	9.760.653	8.451.111	9.983.133	7.504.821
Intermediation margin	14.928.776	13.263.839	5.941.523	11.686.107
Administrative costs	6.279.404	6.034.679	5.729.058	5.387.842
Personnel costs	4.262.503	4.007.126	3.933.542	3.664.362
Operating costs	6.426.446	6.092.969	5.750.365	5.452.182
Profit for the financial year	5.247.507	4.741.000	811.578	4.571.621

Structural ratios (%)

	31/12/2020	var.	31/12/2019	var.	31/12/2018	var.	31/12/2017
Direct collection / Total assets	88,46	0,09	88,37	2,02	86,36	(1,03)	87,39
Net lending / Total assets	24,54	0,78	23,76	(2,74)	26,50	0,89	25,61
Net lending / Direct collection	27,74	0,85	26,89	(3,80)	30,69	1,38	29,31
Managed collection / Indirect collection	47,15	(12,72)	59,87	(3,91)	63,78	0,40	63,38
Operated collection / Indirect collection	46,60	6,47	40,13	3,91	36,22	(0,40)	36,62
Net equity / Total assets	6,65	0,44	6,21	(0,17)	6,38	(0,97)	7,35
Net equity / Net lending	27,09	0,97	26,12	2,05	24,07	(4,62)	28,69

Indicators of the quality of credit (%)

	31/12/2020	var.	31/12/2019	var.	31/12/2018	var.	31/12/2017
Net NPLs / Net lending	3,33	(1,17)	4,50	1,18	3,32	(0,41)	3,73
Net problem loans / Net lending	0,63	(0,97)	1,60	(1,06)	2,66	0,36	2,30
Net doubtful credits / Net lending	5,76	(2,05)	7,81	(0,43)	8,24	(1,70)	9,94
Net NPLs / Net equity	12,30	(4,93)	17,23	3,46	13,77	0,75	13,02

Profitability ratios (%)

	31/12/2020	var.	31/12/2019	var.	31/12/2018	var.	31/12/2017
Interest margin / Intermediation margin	65,38	1,66	63,72	(104,30)	168,02	103,80	64,22
Interest margin / Interest-bearing assets	1,60	0,16	1,44	(0,69)	2,13	0,42	1,71
Intermediation margin / Interest-bearing assets	2,44	0,19	2,25	0,98	1,27	(1,40)	2,67
Administrative costs / Intermediation margin	42,06	(3,44)	45,50	(50,92)	96,42	50,32	46,10
Cost / Income [cost/income]	43,05	(2,89)	45,94	(50,84)	96,78	50,12	46,66
Net profit / (Net equity - Net profit) [R.O.E.]	13,77	(0,12)	13,89	11,30	2,59	(12,78)	15,37
Net profit / Total assets [R.O.A.]	0,80	0,04	0,76	0,60	0,16	(0,82)	0,98

Year 2020

Efficiency ratios (in thousands of EUR)

	31/12/2020	var.	31/12/2019	var.	31/12/2018	var.	31/12/2017
Total deposits per employee	19.403	2.588	16.815	2.624	14.193	163	14.030
Net loans per employee	3.021	(80)	3.101	432	2.669	10	2.659
Intermediation margin per employee	282	6	276	157	119	(141)	260
Average personnel costs	80	(3)	83	4	79	(2)	81
Total operating costs per employee	121	(6)	127	12	115	(6)	121

STATEMENT OF CASH FLOW

	2020	2019
Cash and cash equivalents at the beginning of the financial year	2.671.535	1.457.753
Funds generated and collected	14.982.269	19.198.541
Profit for the financial year	5.247.507	4.741.000
Value adjustments on:	7.549.043	11.574.016
- Tangible and intangible fixed assets	6.603.146	9.868.809
- Financial assets	-	198.007
- Customer loans	945.897	1.507.200
Provisions for:	2.185.719	2.883.525
- Severance pay	320.168	313.015
- Risks and charges	1.865.551	570.510
- General financial risks	-	2.000.000
Increase in funds collected	28.399.062	127.832.238
Debts with banks	-	1.278.692
Debts with customers	28.357.349	126.543.831
Accrued expenses and deferred revenues	41.713	9.715
Decrease in funds used	17.714.747	555.676
Bonds, shares, quotas and other financial instruments	17.272.783	-
Other assets	-	209.231
Accrued revenues and deferred expenses	441.964	346.445
Total funds generated and collected	61.096.078	147.586.455
Use of funds generated from management operations	2.445.482	332.802
Distributed profit	1.500.000	-
Provisions for:	945.482	332.802
- Severance pay	341.181	323.452
- Risks and charges	604.301	9.350

Increase in funds collected	50.680.023	133.634.108
Inter-bank loans	28.457.296	59.756.818
Customer loans	11.403.864	15.672.424
Bonds, shares, quotas and other financial instruments	-	44.804.058
Holdings	-	7.500
Tangible and intangible fixed assets	10.432.214	13.393.308
Other assets	386.649	-
Decrease in funds used	7.975.466	12.405.763
Debts with banks	2.572.243	-
Debts represented by financial instruments	4.753.257	8.154.142
Other liabilities	649.966	4.251.621
Total funds used and invested	61.100.971	146.372.673
Cash and cash equivalents at the end of the financial year	2.666.642	2.671.535

SUBSEQUENT EVENTS

No such events occurred after December 31, 2020 as to make the current equity, financial and economic situation substantially different from the one resulting from these financial statements or as to require corrections or additional notes to the financial statements.

It should be noted that in 2021 the Bank adhered to the option referred to in the letter from the Central Bank of the Republic of San Marino dated 22/12/2020 prot. 20/13417, which allows the transfer of securities from the investment portfolio to the trading one, i.e. their advance sale, taking into account the exceptional circumstances determined by the spread of the COVID-19 pandemic. This option was not used by the Bank with reference to the year 2020, while in the first months of 2021 transactions were carried out for a total nominal value of € 29,350,000 which led to profits from the realization of fixed assets for € 1,552,865.

BUSINESS OUTLOOK

The Bank will continue its business operations, as in the previous years, based on the development of volumes and prudent management. The growing trend of establishing relationships with new customers, which characterized the whole of 2020, is confirmed.

RECOMMENDATION FOR APPROPRIATION OF PROFITS

Dear Shareholders,

in consideration of the foregoing and of the results achieved, you are kindly requested to approve these draft financial statements closed on 31/12/2020, consisting of the financial statements, the Explanatory Notes and related attachments, and accompanied by the Report on Management, as presented by the Board of Directors, as a whole and in individual entries. We therefore suggest appropriating the profit for the year amounting to € 5,247,506.96 as follows:

- provision to the Legal Reserve for an amount of € 1,049,501.39;
- distribution of a part of the profit for € 2,250,000.00 to the shareholders in proportion to their respective shares;
- allocation of the distribution of a portion of the profit equal to € 250,000.00 to a special optional reserve, available and distributable, "registered" exclusively in favor of shareholders who are managers of BSI S.p.A.;
- provision to Reserve ex Art. 63 p. 6 Law no. 166/2013 for an amount of € 367,400.74;
- provision to item "Other reserves" of the remaining part of the profit, amounting to € 1,330,604.83.

The Chairman of the Board of Directors

FINANCIAL STATEMENTS

BALANCE SHEET - ASSETS

	31/12/2020	31/12/2019
10 Cash in hand and at central banks and postal authorities	2.666.642	2.671.535
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:	169.235.492	140.778.196
a) sight credits	140.606.617	110.645.777
b) other credits	28.628.875	30.132.419
40 Customer loans:	127.646.814	117.188.847
a) sight credits	14.379.659	17.442.480
b) other credits	113.267.155	99.746.367
50 Bonds and other debt securities:	271.011.822	286.834.093
a) issued by public bodies	44.999.940	56.500.846
b) issued by banks	152.236.917	158.072.155
c) of financial undertakings other than credit institutions	30.441.953	40.541.404
d) issued by other bodies	43.333.012	31.719.688
60 Shares, quotas and other capital securities	10.759.216	12.209.728
70 Holdings:	819.348	819.348
a) financial companies	811.848	811.848
b) non-financial companies	7.500	7.500
80 Holdings in group businesses:	-	-
a) financial companies	-	-
b) non-financial companies	-	-
90 Intangible fixed assets:	1.508.360	1.142.042
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	1.508.360	1.142.042
100 Tangible fixed assets:	42.530.291	38.322.927

Financial Statements

Year 2020



a) leasing	32.230.166	30.365.504
of which assets to be leased	1.501.118	1.504.654
b) assets resulting from annulled lease contracts	221.542	1.282.405
of which for breach by tenant	221.542	1.282.405
c) assets available from credit recovery	2.716.573	-
of which assets available for credit termination through settlement agreement	-	-
d) lands and buildings	6.784.615	6.045.126
e) other tangible fixed assets	577.395	629.892
110 Subscribed share capital not paid-in	-	-
of which called capital	-	-
120 Own shares and quotas	-	-
130 Other assets	25.298.440	24.911.791
140 Accrued revenues and deferred expenses:	1.002.949	1.444.913
a) accrued revenues	64.391	63.221
b) deferred expenses	938.558	1.381.692
150 Total Assets	652.479.374	626.323.420

BALANCE SHEET - LIABILITIES

	31/12/2020	31/12/2019
10 Debts with banks:	2.861.805	5.434.048
a) sight debts	398.868	513.072
b) term or notice debts	2.462.937	4.920.976
20 Debts with customers:	428.637.067	400.279.718
a) sight debts	354.021.719	363.484.595
b) term or notice debts	74.615.348	36.795.123
30 Debts represented by securities:	147.666.029	152.419.286
a) bonds	27.786.465	59.349.384
b) certificates of deposit	119.879.564	93.069.902
c) other securities	-	-
40 Other liabilities	27.465.179	28.115.145
of which outstanding cheques and similar securities	882.930	799.657
50 Accrued expenses and deferred revenues:	139.225	97.512
a) accrued expenses	57.701	55.930
b) deferred revenues	81.524	41.582
60 Staff retirement allowances	292.001	313.015
70 Risks and costs funds:	2.052.595	791.345
a) retirement and similar costs funds	-	-
b) tax funds	864.516	549.587

Financial Statements

Year 2020



c) other funds	1.188.079	241.758
80 Allowances for possible loan losses	-	-
90 Fund for general banking risks	5.000.000	5.000.000
100 Subordinated liabilities	-	-
110 Corporate capital	21.500.000	21.500.000
120 Issue premium	-	-
130 Reserves:	10.873.352	7.632.351
a) ordinary or legal reserve	3.054.513	2.106.313
b) reserve for shares or own shares	-	-
c) statutory reserves	6.943.744	5.029.867
d) other reserves	875.095	496.171
140 Revaluation reserve	744.614	-
150 Profits (Losses) carried forward	-	-
160 Profit (Loss) for the financial year	5.247.507	4.741.000
170 Total Liabilities	652.479.374	626.323.420

BALANCE SHEET – GUARANTEES AND COMMITMENTS

	31/12/2020	31/12/2019
10 Guarantees issued	27.569.802	26.133.412
of which:		
a) acceptances	41.087	219.965
b) other guarantees	27.528.715	25.913.447
20 Commitments	37.582.209	22.963.356
of which:		
a) certain to be called on	16.981.071	6.541.361
of which financial instruments	299.596	121.560
b) not certain to be called on	3.027.319	480.900
of which financial instruments	-	-
c) other commitments	17.573.819	15.941.095
Total	65.152.011	49.096.768

PROFIT AND LOSS ACCOUNT

	31/12/2020	31/12/2019
10 Interests received and proceeds:	12.237.139	11.623.261
a) on loans to banks	(12.997)	52.108
b) on customer loans	5.532.410	5.298.757
c) on debt securities	6.717.726	6.272.396
20 Interests paid and costs:	(2.476.486)	(3.172.150)
a) on amounts due from banks	(286.825)	(309.157)
b) on debts with customers	(851.818)	(1.135.472)
c) on debts represented by securities	(1.337.843)	(1.727.521)
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	4.135.768	3.984.319
50 Commissions paid	(1.329.874)	(1.212.351)
60 Profits (Losses) from financial operations	2.362.229	2.040.760
70 Other operating proceeds	6.456.104	9.810.519
80 Other operating costs	-	-
90 Administrative costs:	(6.279.404)	(6.034.679)
a) labour costs	(4.262.503)	(4.007.126)
of which:		
- wages and salaries	(2.560.942)	(2.634.899)
- pension contributions	(903.072)	(895.851)
- retirement allowances	(320.167)	(313.015)
- severance indemnity-related costs	-	-
- administrators and mayors	(229.446)	(148.006)
- other personnel expenses	(248.876)	(15.355)
b) other administrative costs	(2.016.901)	(2.027.553)
100 Value adjustments on intangible fixed assets	(330.228)	(286.619)
110 Value adjustments on tangible fixed assets	(6.272.918)	(9.582.190)
120 Provisions for risks and costs	(1.000.000)	-
130 Provisions to allowances for possible loan losses	-	-
140 Value adjustments on credits and provisions for guarantees and commitments	(1.361.103)	(2.100.039)
150 Value recoveries on credits and provisions for guarantees and commitments	415.206	592.839
160 Value adjustments on financial assets	-	(198.007)
170 Value recoveries on financial assets	-	-

Financial Statements

Year 2020



180	Profits (Losses) on ordinary activities	6.556.433	5.465.663
190	Extraordinary proceeds	122.553	1.911.651
200	Extraordinary costs	(566.963)	(86.727)
210	Extraordinary Profits (Losses)	(444.410)	1.824.924
220	Income tax for the financial year	(864.516)	(549.587)
230	Variation to the Fund for general banking risks	-	(2.000.000)
240	Profits (Losses) for the financial year	5.247.507	4.741.000

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

SECTION A – ACCOUNTING PRINCIPLES

The Financial Statements for the year ended as of 31/12/2020 were drawn up in compliance with:

- Regulation 2016/02 on the preparation of banks financial statements issued by the Central Bank of the Republic of San Marino on 31 August 2016 and most recently updated on 19 March 2020 in compliance with the powers conferred pursuant to Law 165/2005;
- Circular 2017/03 on disclosure requirements for company financial statements;
- the manual for the compilation and transmission of reports to the supervisory body;
- Companies' Law.

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

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

The values shown are expressed in euro units and are compared with those of the previous year; in some cases, the 2019 values were reclassified for the purposes of data comparability.

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

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

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

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

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

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

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

Section 1 – Illustration of accounting principles

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

Cash and cash equivalents

Year 2020

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.

Year 2020

- 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.

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,

Year 2020

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 2020 with the latest book values were entered in the profit and loss account.

Shareholdings

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

The Bank did not apply the fair value criterion to shareholdings, in compliance with the option right provided for by art. V.II.3 of the Regulations and referred to in point 5.1 of the Circular.

Intangible fixed assets

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

Tangible fixed assets

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

Financial leasing

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

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

Foreign currency assets and liabilities

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

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

Year 2020

and liabilities: this is to be recorded in the profit and loss account items 10 and 20 "Interest income (expenses) and similar revenues (charges)".

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

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

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

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

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

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

Amounts due to credit institutions

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

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

The abovementioned items are booked at nominal value.

Amounts due to customers

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

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

The abovementioned items are booked at nominal value.

Payables represented by financial instruments

Payables represented by financial instruments are booked at nominal value.

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

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

Other assets and Other liabilities

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

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.

Year 2020

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

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

Reserve for severance indemnities

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

Provisions for risks and charges

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

The provisions for risks and charges include:

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

Provision for general financial risks

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

Subscribed capital

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

Reserves and Revaluation Reserves

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

Guarantees

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

Commitments

This item includes all the irrevocable commitments of specific or unspecific use, which may lead to credit risks (e.g. the margins available on irrevocable credit lines granted to customers or banks).

The commitments arising from derivative contracts are valued on the basis of their notional value.

Guarantees issued and commitments are entered as follows:

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

Interest, Commissions, Charges and Income

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

Memorandum accounts

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

Deferred taxes

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

Section 2 - Adjustments and provisions

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

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

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

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

	31/12/2020	31/12/2019	Amount	Variations %
Cash and cash equivalents with central banks and postal agencies:				
- Banknotes and coins	2.579.889	2.568.697	11.192	0,44%
- Foreign currency	85.333	102.651	(17.318)	(16,87%)
- Other	1.420	187	1.233	659,36%
Total	2.666.642	2.671.535	(4.893)	(0,18%)

Item 10, “Cash and cash equivalents at central banks and post offices”, includes all banknotes and coins in Euro as well as foreign currency notes held at cash desks and ATMs of the Bank’s branches. The item “Other values” includes bills of exchange due to expire and sent for collection by 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”

	31/12/2020	31/12/2019	Amount	Variations %
A) Treasury securities and other similar financial instruments	-	-	-	-
B) Other financial instruments eligible for refinancing with central banks	-	-	-	-
Total	-	-	-	-

Table not valued as data not present.

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

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

	31/12/2020			31/12/2019			Variations	
	Euros	Foreign currency	Total	Euros	Foreign currency	Total	Amount	%
A) Sight credits	136.279.857	4.326.760	140.606.617	108.161.336	2.484.441	110.645.777	29.960.840	27,08%
A1. Current accounts for performed services	136.279.857	4.326.760	140.606.617	102.161.336	2.484.441	104.645.777	35.960.840	34,36%
A2. Current accounts	-	-	-	-	-	-	-	-
A3. Other	-	-	-	6.000.000	-	6.000.000	(6.000.000)	(100,00%)
B) Other credits	27.707.327	921.548	28.628.875	29.126.010	1.006.409	30.132.419	(1.503.544)	(4,99%)
B1. Terms deposits	27.707.327	921.548	28.628.875	26.606.392	1.006.409	27.612.801	1.016.074	3,68%
B2. Current accounts	-	-	-	-	-	-	-	-
B3. Repos and reverse repos	-	-	-	-	-	-	-	-
B4. Other	-	-	-	2.519.618	-	2.519.618	(2.519.618)	(100,00%)
Total	163.987.184	5.248.308	169.235.492	137.287.346	3.490.850	140.778.196	28.457.296	20,21%

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

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

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

Table 3.2 | Composition of cash credits to banks

	31/12/2020			31/12/2019		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A) Doubtful loans	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-
A1. Non-performing loans	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-
A2. Past due / overrun loans	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-
A3. Restructured loans	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-
A4. Expired / overdue loans	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-
A5. Unsecured loans to countries at risk	-	-	-	-	-	-
B) Performing loans	169.235.492	-	169.235.492	140.778.196	-	140.778.196
of which deriving from financial leasing transactions	-	-	-	-	-	-
Total	169.235.492	-	169.235.492	140.778.196	-	140.778.196

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

Table 3.3 | Changes in doubtful loans to banks

	Non-performing loans	Substandard loans	Restructured loans	Past due / overrun loans	Unsecured loans to countries at risk
A) Opening gross exposure	-	-	-	-	-
of which for past-due interests	-	-	-	-	-
B) Increases	-	-	-	-	-
B1. Inflow from loans	-	-	-	-	-
B2. Inflow from other categories of doubtful loans	-	-	-	-	-
B3. Past-due interests	-	-	-	-	-
B4. Other increases	-	-	-	-	-
C) Decreases	-	-	-	-	-
C1. Outflow to loans	-	-	-	-	-
C2. Outflow to other categories of doubtful loans	-	-	-	-	-
C3. Write-offs	-	-	-	-	-
C4. Collections	-	-	-	-	-
C5. Arising from sales	-	-	-	-	-
C6. Other decreases	-	-	-	-	-
D) Closing gross exposure at 31/12/2020	-	-	-	-	-
of which for past-due interests	-	-	-	-	-

Table not valued as data not present.

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

	Non- performing loans	Substandard loans	Restructured loans	Past due / overrun loans	Unsecured loans to countries at risk	Performing loans
A) Opening total adjustments	-	-	-	-	-	-
B) Increases	-	-	-	-	-	-
B1. Value adjustments	-	-	-	-	-	-
of which for past-due interests	-	-	-	-	-	-
B2. Utilization of Funds for possible loan losses	-	-	-	-	-	-
B3. Transfers from other categories of loans	-	-	-	-	-	-
B4. Other increases	-	-	-	-	-	-
C) Decreases	-	-	-	-	-	-
C1. Value recoveries from valuation	-	-	-	-	-	-
of which for past-due interests	-	-	-	-	-	-
C2. Value recoveries from collection	-	-	-	-	-	-
of which for past-due interests	-	-	-	-	-	-
C3. Write-offs	-	-	-	-	-	-
C4. Transfers from other categories of loans	-	-	-	-	-	-
C5. Other decreases	-	-	-	-	-	-
D) Closing total adjustment at 31/12/2020	-	-	-	-	-	-
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

	31/12/2020	31/12/2019
Sight	140.606.617	110.645.777
Up to 3 months	-	-
From 3 months to 6 months	-	-
From 6 months to 1 year	-	-
From 1 year to 18 months	-	-
From 18 months to 2 years	-	-
From 2 years to 5 years	-	-
More than 5 years	-	-
No term	28.628.875	30.132.419
Total	169.235.492	140.778.196

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

The item “Unallocated maturity”, as previously indicated in Table 3.1, includes:

- €26,210,126 of restricted deposits relating to the Compulsory Reserve and €99,653 of the Guarantee Fund for Intermediation;
- €1,019,096 of security deposits with Mastercard Europe and Visa Europe;
- € 1,290,000 deposit with Cassa Centrale Banca to cover fixed-rate risk transactions on mortgages;
- €10,000 security deposit with BFF Bank to cover the transfer of the INPS pension service.

Following the reclassification of the restricted transactions with the Central Bank under the item “Unallocated maturity”, for comparability between years, the values as of 31/12/2019 were adjusted.

4. Customer loans (item 40 of assets)

Table 4.1 | Composition of item 40 "Customer loans"

	31/12/2020			31/12/2019			Variations	
	Euros	Foreign currency	Total	Euros	Foreign currency	Total	Amount	%
A) Sight / Non-revolving loans	14.379.290	369	14.379.659	17.442.411	69	17.442.480	(3.062.821)	(17,56%)
A1. Current accounts	7.336.807	369	7.337.176	10.466.643	69	10.466.712	(3.129.536)	(29,90%)
A2. Other	7.042.483	-	7.042.483	6.975.768	-	6.975.768	66.715	0,96%
B) Other loans:	113.267.155	-	113.267.155	99.586.488	159.879	99.746.367	13.520.788	13,56%
B1. Current accounts	4.274.065	-	4.274.065	3.562.925	-	3.562.925	711.140	19,96%
B2. Discounted portfolio and subject to collection	7.368.116	-	7.368.116	10.291.252	-	10.291.252	(2.923.136)	(28,40%)
B3. Repos and reverse repos	-	-	-	-	-	-	-	-
B4. Other loans	101.624.974	-	101.624.974	85.732.311	159.879	85.892.190	15.732.784	18,32%
Total	127.646.445	369	127.646.814	117.028.899	159.948	117.188.847	10.457.967	8,92%

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

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

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

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

- Board of Directors	€10.404
- Management Board	€1.964
- Control Body	€9.585

Table 4.2 | Secured customer loans

			Variations	
	31/12/2020	31/12/2019	Amount	%
A) From mortgages	54.720.486	48.325.004	6.395.482	13,23%
B) From pledges on:	35.041.114	32.997.218	2.043.896	6,19%
B1. Cash deposits	412.797	510.716	(97.919)	(19,17%)
B2. Securities	3.784.222	3.361.612	422.610	12,57%
B3. Other valuables	30.844.095	29.124.890	1.719.205	5,90%
C) From guarantees by:	31.510.442	25.649.315	5.861.127	22,85%
C1. Public administrations	5.747.403	-	5.747.403	-
C2. Monetary financial institutions	-	-	-	-
C3. Investment funds other than money market funds	-	-	-	-
C4. Other financial companies	-	1.485	(1.485)	(100,00%)
C5. Insurance companies	-	-	-	-
C6. Pension funds	-	-	-	-
C7. Non-financial companies	1.752.991	1.900.048	(147.057)	(7,74%)
C8. Households and non-profit institutions serving households:	24.010.048	23.747.782	262.266	1,10%
C8.1 Consumer and producer families	24.010.048	23.747.782	262.266	1,10%
C8.2 Non-profit institutions serving households	-	-	-	-
C9. Other	-	-	-	-
Total	121.272.042	106.971.537	14.300.505	13,37%

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

	31/12/2020			31/12/2019		
	Gross exposure	Overall total adjustments	Net exposure	Gross exposure	Overall total adjustments	Net exposure
A) Doubtful loans	15.865.671	6.641.509	9.224.162	17.886.493	6.263.552	11.622.941
of which from financial leases	847.685	399.066	448.619	3.529.758	579.081	2.950.677
A1. Non-performing loans	11.724.910	6.391.609	5.333.301	12.541.513	5.841.963	6.699.550
of which from financial leases	847.685	399.066	448.619	1.880.514	414.963	1.465.551
A2. Substandard loans	1.108.718	103.227	1.005.491	2.681.653	294.373	2.387.280
of which from financial leases	-	-	-	1.643.488	163.831	1.479.657
A3. Restructured loans	2.710.658	131.599	2.579.059	2.549.969	121.941	2.428.028
of which credits to ex Gruppo Delta	78.671	-	78.671	111.148	-	111.148
of which from financial leases	-	-	-	-	-	-
A4. Past due / overrun loans	299.269	14.963	284.306	104.660	5.232	99.428
of which from financial leases	-	-	-	5.756	287	5.469
A5. Unsecured loans to countries at risk	22.116	111	22.005	8.698	43	8.655
B) Performing loans	151.506.196	631.836	150.874.360	137.793.174	579.359	137.213.815
of which from financial leases	32.492.170	146.956	32.345.214	29.277.970	133.553	29.144.417
Total	167.371.867	7.273.345	160.098.522	155.679.667	6.842.911	148.836.756

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.

Table 4.4 | Changes in doubtful loans to customers

	Non-performing loans	Substandard loans	Restructured loans	Past due / overrun loans	Unsecured loans to countries at risk
A) Opening gross exposure	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	-
B) Increases	898.105	1.468.790	2.265.735	2.983.126	478.671
B1. Inflow from performing loans	124.632	660.075	-	252.999	-
B2. Inputs from other categories of doubtful loans	584.670	9.191	-	25	-
B3. Past-due interests	140.808	8.055	12.871	1.027	7
B4. Other increases	47.995	791.469	2.252.864	2.729.075	478.664
C) Decreases	1.714.708	3.041.725	2.105.046	2.788.517	465.253
C1. Outflow to loans	-	-	-	653	-
C2. Outputs to other categories of doubtful loans	-	579.783	-	14.078	25
C3. Write-offs	142.749	-	-	-	-
C4. Collections	1.571.959	2.239.696	2.105.046	2.727.641	465.228
C5. Arising from sales	-	-	-	-	-
C6. Other decreases	-	222.246	-	46.145	-
D) Closing gross exposure at 31/12/2020	11.724.910	1.108.718	2.710.658	299.269	22.116
of which for past-due interests	536.378	4.286	29.881	215	-

This table provides a representation of the up and down changes that occurred during the financial year in the amount of gross exposures of doubtful loans (including finance lease receivables). The Institute has revised in full all amounts receivable in an analytical way, providing for their reclassification taking into account the risk involved.

Table 4.5 | Changes in total value adjustments on customer loans

	Non-performing loans	Substandard loans	Restructured loans	Past due / overrun loans	Unsecured loans to countries at risk	Performing loans
A) Opening total adjustments	5.841.963	294.373	121.941	5.232	43	579.359
B) Increases:	942.343	45.137	9.658	14.613	105	196.832
B1. Value adjustments	726.743	42.642	9.658	13.659	105	196.078
of which for past-due interests	140.808	-	-	-	-	-
B2. Utilization of funds for possible loans	-	-	-	-	-	-
B3. Transfers from other categories of loans	215.600	2.495	-	954	-	754
B4. Other increases	-	-	-	-	-	-
C) Decreases:	392.697	236.283	-	4.882	37	144.355
C1. Value recoveries	76.968	20.932	-	4.071	37	139.610
of which for past-due interests	-	-	-	-	-	-
C2. Value recoveries from collection	172.980	-	-	-	-	-
of which for past-due interests	36.131	-	-	-	-	-
C3. Write-offs	142.749	-	-	-	-	1.104
C4. Transfers to other categories of loans	-	215.351	-	811	-	3.641
C5. Other decreases	-	-	-	-	-	-
D) Closing total adjustments at 31/12/2020	6.391.609	103.227	131.599	14.963	111	631.836
of which for past-due interests	536.378	-	-	-	-	-

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

	31/12/2020	31/12/2019
Sight	14.287.603	15.960.610
Up to 3 months	16.719.696	17.687.963
From 3 months to 6 months	6.662.806	6.769.473
From 6 months to 1 year	9.684.430	7.663.840
From 1 year to 18 months	7.570.031	6.702.757
From 18 months to 2 years	8.283.079	6.337.709
From 2 years to 5 years	35.628.852	28.829.822
More than 5 years	55.773.371	51.994.504
No term	5.488.654	6.890.078
Total	160.098.522	148.836.756

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

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

	31/12/2020	31/12/2019
A) Public administrations	3.538.105	4.440.387
B) Financial undertakings other than credit institutions:	2.321.843	2.748.958
B1. Monetary financial institutions (other than credit institutions)	-	-
B2. Investment funds other than money market funds	-	-
B3. Other financial companies	2.321.843	2.687.552
B4. Insurance companies	-	61.406
B5. Pension funds	-	-
C) Non-financial companies:	85.394.882	79.781.576
of which persons deleted from the Register of Authorized Entities	744	-
C1. Industry	45.569.536	33.427.543
C2. Building	2.414.579	6.868.855
C3. Services	37.396.458	39.460.209
C4. Other non-financial companies	14.309	24.969
D) Households and non-profit institutions serving households:	68.843.692	61.865.835
D1. Consumer families	68.677.517	61.689.720
D2. Non-profit institutions serving households	166.175	176.115
E) Other	-	-
Total	160.098.522	148.836.756

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:	221.452.956	49.558.866
A) issued by public bodies	42.402.944	2.596.996
B) issued by banks	122.889.462	29.347.455
C) issued by financial institutions	28.966.077	1.475.876
D) issued by other bodies	27.194.473	16.138.539
Shares, quotas and other capital securities:	-	10.759.216
- Fondo Odisseo	-	10.657.140
- UCI	-	61.492
- Equities	-	40.584
Total	221.452.956	60.318.082

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 shares of the “Fondo Odisseo”, acquired by the Bank following the system intervention in favor of the resolution of Banca CIS.

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

Table 5.2 | Composition of “investment securities”

	31/12/2020			31/12/2019		
	Book Value	Market Value	Fair value	Book Value	Market Value	Fair value
1. Debt securities:	219.317.332	221.452.956	220.256.027	195.117.300	197.295.324	199.320.985
1.1 Bonds	219.317.332	221.452.956	220.256.027	195.117.300	197.295.324	199.320.985
- Listed	162.375.480	164.112.165	164.787.177	136.435.394	138.462.057	140.859.040
- Unlisted	56.941.852	57.340.791	55.468.850	58.681.906	58.833.267	58.461.945
1.2 Other debt securities:	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Unlisted	-	-	-	-	-	-
2. Capital securities:	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Unlisted	-	-	-	-	-	-
Total	219.317.332	221.452.956	220.256.027	195.117.300	197.295.324	199.320.985

Year 2020

Investment securities are made up of bonds issued by sovereign states and banks for about 86%, while the remaining part is made up of bonds issued by private companies.

Table 5.3 | Annual variations to investment securities

	31/12/2020	31/12/2019
Opening balance	197.295.324	147.473.504
Increases:	57.542.102	80.655.108
1. Purchases	15.797.045	40.245.312
of which debt securities	15.797.045	40.245.312
2. Value recoveries	-	-
3. Transfers from trading portfolio	40.127.016	36.672.451
4. Other variations	1.618.041	3.737.345
Decreases:	33.384.470	30.833.288
1. Sales	8.758.800	14.761.445
of which debt securities	8.758.800	14.761.445
2. Redemptions	23.067.195	14.736.506
3. Value adjustments	-	198.007
of which lasting devaluations	-	198.007
4. Transfers to trading portfolio	393	-
5. Other variations	1.558.082	1.137.330
Closing balance	221.452.956	197.295.324

In accordance with the provisions of art. IV.V.1 of Regulation no. 2016/02 and CBSM provision of 06/04/2020 prot. no. 20/3582, during the year the Bank transferred financial instruments from the free portfolio to the investment one for a value of € 40,127,016. The reasons underlying this management choice are to be traced back to the need to stem the strong volatility of the markets during the first months of the Covid emergency and to the intention of the Management Body to keep the securities being transferred in the long term, with the ultimate goal of pursuing a correct management policy aimed at securing capital assets. In 2020, the Bank's Board of Directors approved the disposal of investment securities before their natural maturity, considering the exceptional cases referred to in Article IV.V.1 paragraph 3 of CBSM Regulation 2016/02. These transactions, carried out for a countervalue of €8,758,800, generated extraordinary charges of approximately €240,000.

Table 5.4 | Composition of “trading securities”

	31/12/2020	31/12/2019
	Fair value	Fair value
1. Debt securities:	49.558.865	89.538.769
1.1 Bonds:	49.558.865	89.538.769
- Listed	41.453.576	77.488.342
- Unlisted	8.105.289	12.050.427
1.2 Other debt securities:	-	-
- Listed	-	-
- Unlisted	-	-
2. Capital securities:	10.759.217	12.209.728
- Listed	102.077	-
- Unlisted	10.657.140	12.209.728
Total	60.318.082	101.748.497

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.

It should be noted that the valuation of the units of the Odisseo Fund is carried out at the last available NAV of 31/12/2020.

Table 5.5 | Annual variations to “trading securities”

	31/12/2020	31/12/2019
Opening balance	101.748.497	106.964.266
Increases:	233.743.704	246.743.927
1. Purchases	229.497.966	243.821.382
of which debt securities	226.410.537	224.782.760
of which capital securities	3.087.429	19.038.622
2. Write backs and revaluations	1.677.145	1.066.849
3. Transfers from investment portfolio	393	-
4. Other variations	2.568.200	1.855.696
Decreases:	275.174.119	251.959.696
1. Sales and redemptions	231.437.471	213.522.536
of which debt securities	228.454.278	202.384.123
of which capital securities	2.983.193	11.138.413
2. Value adjustments and devaluations	1.929.469	590.535
3. Transfers to investment portfolio	40.127.016	36.672.451
4. Other variations	1.680.163	1.174.174
Closing balance	60.318.082	101.748.497

The valuation of trading securities is carried out based on the market value as at 31/12/2020. The effect of this method is represented in the item “Writebacks and revaluations” and “Value adjustments and writedowns” shown in the table.

6. Holdings (items 70 - 80 of assets)

Table 6.1 | Holdings and Holdings in group companies

Legal form / Denominations / Headquarters	Activity performed	Share capital	Net equity	Profit / Loss	Share %	Book Value (b)	Fair value	Net equity share (a)	Comparison (a-b)
A) Companies of the banking group									
No investment									
B) Other subsidiaries									
No investment									
C) Other investee companies									
1. S.P.A. / Banca Centrale della Repubblica di San Marino / Via del Voltone, 120 (San Marino)	Bank	12.911.425	61.299.309	-	1,00%	811.848		612.993	(198.855)
2. S.R.L. / Tenuta Santa Chiara / Strada di Paderna, 2 (San Marino)	Services	75.000	68.413	(6.587)	10,00%	7.500		6.841	(659)

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. The values of the subsidiaries are calculated on the basis of the financial statement data for the 2019 financial year.

Table 6.2 | Composition of item 70 "Holdings"

	31/12/2020			31/12/2019		
	Purchase price	Book value	Fair value	Purchase price	Book value	Fair value
In banks	811.848	811.848	-	811.848	811.848	-
- Listed	-	-	-	-	-	-
- Unlisted	811.848	811.848	-	811.848	811.848	-
In other financial companies	7.500	7.500	-	7.500	7.500	-
- Listed	-	-	-	-	-	-
- Unlisted	7.500	7.500	-	7.500	7.500	-
Other	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Unlisted	-	-	-	-	-	-
Total	819.348	819.348	-	819.348	819.348	-

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

	31/12/2020			31/12/2019		
	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”

	31/12/2020
A) Opening balance	819.348
B) Increases	-
B1. Purchases	-
B2. Write backs	-
B3. Revaluations	-
B4. Other changes	-
C) Decreases	-
C1. Sales	-
C2. Value adjustments	-
of which permanent write-downs	-
C3. Other changes	-
D) Closing balance	819.348
E) Total revaluations	-
F) Total adjustments	-

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

	31/12/2020
A) Opening balance	-
B) Increases:	-
B1. Purchases	-
B2. Write backs	-
B3. Revaluations	-
B4. Other changes	-
C) Decreases:	-
C1. Sales	-
C2. Value adjustments	-
of which permanent write-downs	-
C3. Other changes	-
D) Closing balance	-

Table not valued as data not present.

Year 2020

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

	31/12/2020
Assets:	134.705.823
- Loans to banks	134.656.860
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	48.963
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:	34.176
- Debts to banks	-
of which to related undertakings	-
- Debts to other companies	34.176
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	-

“Loans to credit institutions” consist of correspondence accounts and time deposits with the Central Bank.

“Loans due from other companies” and “Payables due to other companies” include a receivable relating to a real estate lease contract and a current account relationship with the subsidiary, Tenuta Santa Chiara, respectively.

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

	31/12/2020
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.

Year 2020

7. Intangible fixed assets (item 90 of assets)

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

	31/12/2020	Leased assets	of which assets to be leased	Assets resulting from annulled lease contracts	of which for breach by tenant	Assets available from credit recovery	of which assets available for credit termination through settlement agreement	Start-up costs	Establishment costs	Other intangible fixed assets
A) Opening balance	1.142.042	-	-	-	-	-	-	-	-	1.142.042
B) Increases	696.546	-	-	-	-	-	-	-	-	696.546
B1. Purchases	696.546	-	-	-	-	-	-	-	-	696.546
B2. Value recoveries	-	-	-	-	-	-	-	-	-	-
of which for credit rating	-	-	-	-	-	-	-	-	-	-
B3. Revaluations	-	-	-	-	-	-	-	-	-	-
B4. Other variations	-	-	-	-	-	-	-	-	-	-
C) Decreases	330.228	-	-	-	-	-	-	-	-	330.228
C1. Sales	-	-	-	-	-	-	-	-	-	-
C2. Value adjustments	330.228	-	-	-	-	-	-	-	-	330.228
of which depreciations	330.228	-	-	-	-	-	-	-	-	330.228
of which lasting devaluations	-	-	-	-	-	-	-	-	-	-
of which for credit rating	-	-	-	-	-	-	-	-	-	-
C3. Other variations	-	-	-	-	-	-	-	-	-	-
D) Closing balance	1.508.360	-	-	-	-	-	-	-	-	1.508.360

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.

Item "B1. Purchases" primarily consists of costs incurred for the purchase of the license and the personalization of the new information management system, which will soon be adopted, amounting to €625,000.

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

	31/12/2020			31/12/2019		
	Purchase price / Production cost	Book value	Fair value	Purchase price / Production cost	Book value	Fair value
A) Financial lease	-	-		-	-	
of which assets to be leased	-	-		-	-	
B) Assets resulting from annulled lease contracts	-	-		-	-	
of which for breach by tenant	-	-		-	-	
C) Assets available from credit recovery	-	-		-	-	
of which assets available for credit termination through settlement agreement	-	-		-	-	
D) Goodwill	-	-		-	-	
E) Start-up costs	-	-		-	-	
F) Other intangible fixed assets	3.693.996	1.508.360		2.997.450	1.142.042	
Total	3.693.996	1.508.360	-	2.997.450	1.142.042	-

8. Tangible fixed assets (item 100 of assets)

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

	31/12/2020	Financial lease	of which assets to be leased	Assets resulting from annulled lease contracts	of which for breach by tenant	Assets available from credit recovery	of which assets available for credit termination through settlement agreement	Lands and buildings	Other tangible fixed assets
A) Opening balance	38.322.927	30.365.504	1.504.654	1.282.405	1.282.405	-	-	6.045.126	629.892
B) Increases	17.328.700	11.891.217	969.597	1.703.881	1.703.881	2.716.573	-	890.927	126.102
B1. Purchases	9.680.856	9.554.754	-	-	-	-	-	-	126.102
B2. Value recoveries	189.074	99.282	-	89.792	89.792	-	-	-	-
of which for credit rating	189.074	99.282	-	89.792	89.792	-	-	-	-
B3. Revaluations	783.804	-	-	-	-	-	-	783.804	-
B4. Other variations	6.674.966	2.237.181	969.597	1.614.089	1.614.089	2.716.573	-	107.123	-
C) Decreases	13.121.336	10.026.555	973.133	2.764.744	2.764.744	-	-	151.438	178.599
C1. Sales	1.544.623	1.496.452	-	48.171	48.171	-	-	-	-
C2. Value adjustments	6.273.051	5.943.014	133	-	-	-	-	151.438	178.599
of which depreciations	6.272.918	5.942.881	-	-	-	-	-	151.438	178.599
of which lasting devaluations	-	-	-	-	-	-	-	-	-
of which for credit rating	133	133	133	-	-	-	-	-	-
C3. Other variations	5.303.662	2.587.089	973.000	2.716.573	2.716.573	-	-	-	-
D) Closing balance	42.530.291	32.230.166	1.501.118	221.542	221.542	2.716.573	-	6.784.615	577.395

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

Item “B3. Revaluations” of the category “Land and buildings” includes the revaluation of the building located in Via Monaldo da Falciano (Falciano) and the registered office and headquarters of the Parent Company. Further details on this transaction are provided at the bottom of table 19.6.

Item “B4. Other changes” in the category “Assets available from credit recovery” the acquisition of real estate for non-residential use following the termination of financial leasing contracts for the satisfaction of its credit with defaulting customers.

Year 2020

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

	31/12/2020			31/12/2019		
	Purchase price / Production cost	Book value	Fair value	Purchase price / Production cost	Book value	Fair value
A) Financial lease	70.833.629	32.230.166		67.806.844	30.365.504	
of which assets to be leased	4.121.756	1.501.118		3.795.081	1.504.654	
B) Assets resulting from annulled lease contracts	357.763	221.542		1.508.419	1.282.405	
of which for breach by tenant	357.763	221.542		1.508.419	1.282.405	
C) Assets available from credit recovery	2.716.573	2.716.573		-	-	
of which assets available for credit termination through settlement agreement	-	-		-	-	
D) Lands and buildings	7.397.366	6.784.615		6.506.439	6.045.126	
E) Other tangible fixed assets	2.370.011	577.395		2.289.679	629.892	
Total	83.675.342	42.530.291	-	78.111.381	38.322.927	-

Table 8.3 | Assets available from credit recovery

	31/12/2020		31/12/2019	
	Book Value	Fair value	Book Value	Fair value
A) Assets available from credit recovery deriving from financial lease contracts:	2.716.573	-	-	-
A1. Real estate	2.716.573	-	-	-
of which for residential use	-	-	-	-
of which for non-residential use	2.716.573	-	-	-
A2. Movable assets	-	-	-	-
of which vehicles	-	-	-	-
of which aircraft	-	-	-	-
of which other	-	-	-	-
B) Assets available from credit recovery deriving from other lease contracts:	-	-	-	-
B1. Real estate	-	-	-	-
of which for residential use	-	-	-	-
of which for non-residential use	-	-	-	-
B2. Movable assets	-	-	-	-
of which vehicles	-	-	-	-
of which aircraft	-	-	-	-
of which other	-	-	-	-
Total	2.716.573	-	-	-

Year 2020

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

	Total at 31/12/2020	of which leasing to credit institutions	of which leasing to customers
Leasing – Total	32.793.833	-	32.793.833
A) of which for rents overdue	342.125	-	342.125
B) of which residual capital credit	32.451.708	-	32.451.708
B1. Intangible fixed assets	-	-	-
- Financial lease	-	-	-
- Assets resulting from annulled lease contracts	-	-	-
B2. Tangible fixed assets	32.451.708	-	32.451.708
- Financial lease	32.230.166	-	32.230.166
- Assets resulting from annulled lease contracts	221.542	-	221.542

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

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

	31/12/2020	31/12/2019	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 31/12/2019	-	-	-	-
Purchases	-	-	-	-
Sales	-	-	-	-
Values at 31/12/2020	-	-	-	-
				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”

	31/12/2020	31/12/2019
Maintenance margins	-	-
Premiums paid for options	-	-
Others	25.298.440	24.911.791
of which other Debtors:	22.268.381	24.026.356
- Effects from SBF customers	11.076.615	12.936.995
- Illiquid effects	3.470.953	2.428.078
- Effects after collection from customers	3.143.794	3.867.759
- Effects received from correspondent banks	3.127.168	3.061.188
- IGR advances and withholding of the Tax Office	568.029	562.207
- Transitional accounts and items to be settled	557.922	869.329
- Loans to investee companies	323.900	300.800
of which Deferred tax assets:	337.982	737.569
- Law no. 150/2012 Art. 40	337.982	579.393
- Law no. 166/2013	-	158.176
of which Other related accounting items:	60.915	60.915
- Foreign securities tax credit	60.915	60.915
of which Other:	2.631.162	86.951
- Tax credit Legislative Decree no. 72/2013	1.552.589	-
- Security deposit at Court	750.000	-
- Forward transactions	303.039	59.434
- Other items	25.534	27.517
Total	25.298.440	24.911.791

Pursuant to Decree Law No. 72/2013, the Bank took steps to record the tax credit of €1,552,589 deriving from the loss recognized on the basis of the valuation at NAV certified as of 31/12/2020 of the Odisseo Fund, a fund acquired following the block acquisition transaction of assets and liabilities of Banca Nazionale Sammarinese (formerly Banca CIS) under “Other assets”.

The item “Security deposit with Court” refers to the provision of a security deposit, against payment of any penalties, as part of proceedings in the preliminary phase pending before the Tribunal Correctionnel in Marseille.

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

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

	31/12/2020	31/12/2019
Accrued revenues:	64.391	63.221
- Commissions and feeds on issuing/acquiring transactions	62.857	58.599
- Consumer credit practices	1.250	850
- Other items	284	272
- Commissions on trustee mandates	-	3.500
Deferred expenses:	938.558	1.381.692
- Annual amount of AQR result value adjustments	742.393	1.114.607
- Commissions and feeds on issuing/acquiring transactions	56.293	77.365
- Insurance premiums	32.939	50.257
- Central Risk Database contribution	30.867	46.344
- Network fees	26.375	14.641
- Other items	26.154	40.573
- Rental expenses	23.537	30.803
- Forward discounts	-	7.102
Total	1.002.949	1.444.913

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”

	31/12/2020			31/12/2019		
	Euros	Foreign currency	Total	Euros	Foreign currency	Total
A) Sight debts	398.868	-	398.868	513.072	-	513.072
A1. Overdrawn current accounts	398.320	-	398.320	512.756	-	512.756
A2. Demand deposits	548	-	548	316	-	316
A3. Other	-	-	-	-	-	-
B) Term or notice debts:	-	2.462.937	2.462.937	-	4.920.976	4.920.976
B1. Overdrawn current accounts	-	-	-	-	-	-
B2. Time deposits	-	2.462.937	2.462.937	-	4.920.976	4.920.976
B3. Repos and reverse repos	-	-	-	-	-	-
B4. Other loans	-	-	-	-	-	-
Total	398.868	2.462.937	2.861.805	513.072	4.920.976	5.434.048

The table shows the debts that the Bank has towards San Marino and foreign banks.
Item “B2. Time deposits” include a loan in US dollars granted by a credit institution and falling due within 3 months.

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

	31/12/2020	31/12/2019
Sight	398.868	1.850.328
Up to 3 months	2.462.937	3.583.720
From 3 months to 6 months	-	-
From 6 months to 1 year	-	-
From 1 year to 18 months	-	-
From 18 months to 2 years	-	-
From 2 years to 5 years	-	-
More than 5 years	-	-
No term	-	-
Total	2.861.805	5.434.048

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

14. Debts with customers (item 20 of liabilities)

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

	31/12/2020			31/12/2019		
	Euros	Foreign currency	Total	Euros	Foreign currency	Total
A) Sight	347.741.140	6.280.579	354.021.719	360.289.268	3.195.327	363.484.595
A1. Overdrawn current accounts	346.273.351	6.280.579	352.553.930	358.954.041	3.195.327	362.149.368
A2. Sight savings deposits	432.051	-	432.051	442.772	-	442.772
A3. Other	1.035.738	-	1.035.738	892.455	-	892.455
B) Term or notice debts	74.615.348	-	74.615.348	36.795.123	-	36.795.123
B1. Term overdrawn current accounts	-	-	-	-	-	-
B2. Time saving deposits	-	-	-	-	-	-
B3. Repos and reverse repos	54.338.259	-	54.338.259	36.792.118	-	36.792.118
B4. Other funds	20.277.089	-	20.277.089	3.005	-	3.005
Total	422.356.488	6.280.579	428.637.067	397.084.391	3.195.327	400.279.718

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

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

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

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

	31/12/2020	31/12/2019
Sight	354.021.949	363.485.595
Up to 3 months	31.992.013	922.913
From 3 months to 6 months	37.279.284	29.475.850
From 6 months to 1 year	5.343.821	6.395.360
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	428.637.067	400.279.718

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

	31/12/2020			31/12/2019		
	Euros	Foreign currency	Total	Euros	Foreign currency	Total
Bonds	27.786.465	-	27.786.465	59.349.384	-	59.349.384
of which held by credit institutions	-	-	-	-	-	-
Certificates of deposit	119.879.564	-	119.879.564	93.069.902	-	93.069.902
of which held by credit institutions	-	-	-	-	-	-
Other financial instruments	-	-	-	-	-	-
of which acceptances traded	-	-	-	-	-	-
of which outstanding bills	-	-	-	-	-	-
of which atypical securities	-	-	-	-	-	-
Total	147.666.029	-	147.666.029	152.419.286	-	152.419.286

16. Other liabilities (item: 40 of liabilities)

Table 16.1 | Composition of item 40 "Other liabilities"

	31/12/2020	31/12/2019
Maintenance margins	-	-
Premiums received for options	-	-
Cheques in circulation and similar securities	882.930	799.657
Other	26.582.249	27.315.488
of which other Creditors:	1.636.959	1.270.855
- Payables to suppliers	458.865	205.575
- Supplier invoices to be received	419.555	615.997
- Sums in favour of third parties	396.501	110.312
- Employees salary account	270.947	246.149
- Payables to I.S.S.	87.426	89.277
- Payables to F.S.S.	2.743	2.745
- Payables to trade union centres	922	800
Of which Other:	24.945.290	26.044.633
- Transferor of SBF effects	16.566.491	17.346.370
- Transferors of after-collection effects	6.467.809	7.214.303
- Due to tax office	992.488	1.181.369
- Transitional accounts and items to be settled	638.411	248.833
- Term transactions	280.091	53.758
Total	27.465.179	28.115.145

In order to ensure comparability between years, some values relating to the 2019 financial year were adjusted.

Table 16.2 | Payables for electronic money

	31/12/2020	31/12/2019
For nominative instruments:	-	-
- of which rechargeable	-	-
- of which not rechargeable	-	-
For anonymous tools	-	-
Total	-	-

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

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

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

	31/12/2020	31/12/2019
Accrued expenses:	57.701	55.930
- Employee supplementary remuneration	35.660	36.449
- Derivative contracts	13.084	11.259
- Directors' I.S.S. separate management	7.865	7.800
- Other items	1.092	422
Deferred revenues:	81.524	41.582
- Interest on consumer credit practices	31.500	21.740
- Foreign documentary credit commissions	26.635	-
- Safe deposit box fees	13.275	-
- Fees on endorsement loans	10.114	12.322
- Forward premiums	-	7.520
Total	139.225	97.512

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

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

Table 18.1 | Changes of item 60 “Staff retirement allowances”

	31/12/2020	31/12/2019
Opening balance	313.015	323.452
Increases:	320.167	313.015
- Provisions	320.167	313.015
- Other variations	-	-
Decreases:	341.181	323.452
- Utilization	341.181	323.452
- Other variations	-	-
Closing balance	292.001	313.015

As required by current legislation, the severance allowance is paid annually to the employees of the Bank. Therefore, the balance at the end of 2020 coincides with the portion relating to the current year to be settled by 2021.

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

	31/12/2020	31/12/2019
Retirement and similar costs fund	-	-
Taxes and fees funds	864.516	549.587
Other funds:	1.188.079	241.758
- Provision for legal disputes	992.500	-
- Fund for paid and unused leave	150.043	192.699
- Provisions for payment card dispute risks	45.536	49.059
Total	2.052.595	791.345

The “Provision for legal disputes” was set up in 2020 to cover the risks and legal charges connected with the lawsuit pending before the Court of Marseille, which is currently in the preliminary stage. No further liabilities are currently expected.

Table 18.3 | Changes of “Taxes and fees reserves”

	31/12/2020	31/12/2019
Opening balance	549.587	-
Increases:	864.516	549.587
- Provisions	864.516	549.587
- Other variations	-	-
Decreases:	549.587	-
- Utilization	549.587	-
- Other variations	-	-
Closing balance	864.516	549.587

The allocation to the provision for taxes and duties was determined taking into account the tax relief on reinvested earnings for new investments introduced by Law 166/2013 Title IV Chapter I.

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

	31/12/2020	31/12/2019
Opening balance	241.758	230.184
Increases:	1.001.034	12.515
- Provisions	1.001.034	12.515
- Other variations	-	-
Decreases:	54.713	941
- Utilization	54.713	941
- Other variations	-	-
Closing balance	1.188.079	241.758

The item "Provisions" includes provisions made during the year as follows:

- establishment of the "Provision for legal disputes" through a provision of €1,000,000;
- adjustment to the "Provision for unused holiday", equal to €1,034.

The item "Uses" includes uses made during the year, as follows:

- use of the "Provision for legal disputes", amounting to €7,500, following payment of invoices received;
- use of "Provision for risks relating to payment card disputes", amounting to €3,522;
- use of the "Provision for unused holiday" of €43,691.

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

	31/12/2020	31/12/2019
Opening balance	-	-
Increases:	-	-
- Provisions	-	-
- Other variations	-	-
Diminuzioni:	-	-
- 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"

	31/12/2020	31/12/2019	Amount	Variations
				%
Opening balance	5.000.000	3.000.000	2.000.000	66,67%
Contributions in the year	-	2.000.000	(2.000.000)	(100,00%)
Uses in the year	-	-	-	-
Closing balance	5.000.000	5.000.000	-	-

Table 19.2 | Composition of item 100 "Subordinated liabilities"

	31/12/2020	31/12/2019	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"

	31/12/2020			31/12/2019			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"

	31/12/2020	31/12/2019	Amount	Variations
				%
Issue premiums	-	-	-	-

Year 2020

Table not valued as data not present.

Table 19.5 | Composition of item 130 "Reserves"

	31/12/2020	31/12/2019	Amount	Variations %
A) Ordinary or legal reserve	3.054.513	2.106.313	948.200	45,02%
B) Reserve for shares or own shares	-	-	-	-
C) Statutory reserves	6.943.744	5.029.867	1.913.877	38,05%
D) Other reserves	875.095	496.171	378.924	76,37%
Total	10.873.352	7.632.351	3.241.001	42,46%

Item "A) Ordinary or legal reserve" represents the compulsory allocation required by the CBSM Regulation 2007-07.

Item "C) Statutory reserves" includes the reserves available to the Shareholders' Meeting.

Item "D) Other reserves" contains the restricted reserve pursuant to Law 166/2013 art. 63 amounting to €625,095 and the registered reserve set up at the time of allocation of the 2019 financial year net income amounting to €250,000 not yet distributed.

Table 19.6 | Composition of item 140 "Revaluation reserve"

	31/12/2020	31/12/2019	Amount	Variations %
Revaluation reserve	744.614	-	744.614	-

The "Revaluation reserve" increased during the year as a result of the effect of the revaluation of the real estate property used as registered office and operational headquarters of the Bank located in Falciano (San Marino) in Via Monaldo da Falciano No. 3 and recorded net of the 5% substitute tax as provided for by Article 22 Law 113/2020. The sworn appraisal by a San Marino professional is provided at the end of these explanatory notes.

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

	31/12/2020	31/12/2019	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"

	31/12/2020	31/12/2019	Amount	Variations %
Profit (Loss) for the financial year	5.247.507	4.741.000	506.507	10,68%

For the proposed allocation of net income, reference should be made to the relevant section of the "Report of the Board of Directors on Operations".

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

	31/12/2020	31/12/2019	31/12/2018	31/12/2017
Corporate capital	21.500.000	21.500.000	21.500.000	20.000.000
Uncalled capital	-	-	-	-
Issue premiums	-	-	-	-
Ordinary or legal reserve	3.054.513	2.106.313	1.943.998	1.029.673
Other reserves	7.818.839	5.526.038	4.876.776	3.719.480
Operating result	5.247.507	4.741.000	811.578	4.571.621
Profits (Losses) carried forward	-	-	-	-
Fund for general financial risks	5.000.000	5.000.000	3.000.000	5.000.000
Revaluation reserve	744.614	-	-	-
Total	43.365.473	38.873.351	32.132.352	34.320.774

Table 19.10 | Composition of Savings Collection by business sector

	31/12/2020	31/12/2019
A) Public administrations	68.306.456	50.701.152
B) Financial companies other than credit institutions:	10.491.783	4.141.716
B1. Monetary financial institutions (other than credit institutions)	-	-
B2. Investment funds other than money market funds	6.307.521	117.015
B3. Other financial companies	3.844.740	3.765.328
B4. Insurance companies	339.522	259.373
B5. Pension funds	-	-
C) Non-financial companies:	128.242.252	83.284.972
of which persons deleted from the Register of Authorized Entities	802.282	678.200
C1. Industry	65.791.471	39.941.103
C2. Building	2.142.015	1.809.203
C3. Services	57.426.167	40.642.569
C4. Other non-financial companies	2.882.599	892.097
D) Households and non-profit institutions serving households	370.145.535	415.370.821
D1. Consumer families	353.971.226	413.399.537
D2. Non-profit institutions serving households	16.174.309	1.971.284
E) Other	-	-
Total	577.186.026	553.498.661

Some values relating to the 2019 financial year were adjusted in order to ensure comparability between years.

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

20. Guarantees and commitments

Table 20.1 | Composition of “guarantees issued”

	31/12/2020	31/12/2019	Amount	Variations %
A) Endorsement credits of a trade nature	5.205.992	5.271.067	(65.075)	(1,23%)
B) Endorsement credits of a financial nature	1.989.480	1.767.497	221.983	12,56%
C) Assets set up as collateral	20.374.330	19.094.848	1.279.482	6,70%
- of third party bonds	1.204.000	-	1.204.000	-
- of own bonds	19.170.330	19.094.848	75.482	0,40%
Total	27.569.802	26.133.412	1.436.390	5,50%

Item “C) Assets pledged as collateral for own bonds” includes the collaterals issued to BFF Bank (€1,671,285) and Cassa Centrale Banca (€ 17,499,045) in order to be able to respectively use the intermediation services for the payment system and for foreign operations. These guarantees can be issued both in the form of financial instruments and liquidity and the nature of their composition is explained in table “20.5 Assets pledged as collateral for own debts”. They are lent not against a debt already incurred but against the possibility that the debt may emerge.

Item “C) Assets pledged as collateral for third party bonds” includes the mortgage collateral issued on behalf of third parties in relation to restructured credit operations and recorded on assets under financial leasing.

Table 20.2 | Composition of the abovementioned unsecured loans

				Variations
	31/12/2020	31/12/2019	Amount	%
A) Credit commitments of a trade nature	5.205.992	5.271.067	(65.075)	(1,23%)
A1. Acceptances	41.087	219.965	(178.878)	(81,32%)
A2. Guarantees and endorsements	5.164.905	1.679.272	3.485.633	207,57%
A3. Strong comfort letter	-	-	-	-
A4. Other	-	3.371.830	(3.371.830)	(100,00%)
B) Credit commitments of a financial nature:	1.989.480	1.767.497	221.983	12,56%
B1. Acceptances	-	-	-	-
B2. Guarantees and endorsements	1.989.480	1.767.497	221.983	12,56%
B3. Strong comfort letter	-	-	-	-
B4. Other	-	-	-	-
Total	7.195.472	7.038.564	156.908	2,23%

Table 20.3 | Situation of unsecured loans to credit institutions

	31/12/2020			31/12/2019		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A) Doubtful loans	-	-	-	-	-	-
of which non-performing loans	-	-	-	-	-	-
of which substandard loans	-	-	-	-	-	-
of which restructured loans	-	-	-	-	-	-
of which expired / overdue loans	-	-	-	-	-	-
of which unsecured loans to countries at risk	-	-	-	-	-	-
B) Performing loans	-	-	-	-	-	-
Total	-	-	-	-	-	-

Table not valued as data not present.

Table 20.4 | Situation of unsecured loans to customers

	31/12/2020			31/12/2019		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A) Doubtful loans	-	-	-	-	-	-
of which non-performing loans	-	-	-	-	-	-
of which substandard loans	-	-	-	-	-	-
of which restructured loans	-	-	-	-	-	-
of which expired / overdue loans	-	-	-	-	-	-
of which unsecured loans to countries at risk	-	-	-	-	-	-
B) Performing loans	7.195.472	-	7.195.472	7.038.564	-	7.038.564
Total	7.195.472	-	7.195.472	7.038.564	-	7.038.564

Table 20.5 | Loan guarantees to assume the debts

Liabilities	Amounts of guarantee assets
Payables to banks	19.170.330

Assets pledged as collateral for own bonds already described in table 20.1 are represented by financial instruments recorded at market value under item 50 "Bonds and other debt financial instruments" for €19,170,330. These securities are deposited as security with BFF Bank S.p.A. as a collateral for the intermediation service and with Cassa Centrale Banca as a collateral for foreign operations.

Table 20.6 | Margin loans on credit lines

	31/12/2020	31/12/2019
A) Central banks	-	-
B) Other banks	-	-
C) Other financial companies	-	-
Total	-	-

Table not valued as data not present.

Table 20.7 | Composition of “spot commitments”

	31/12/2020	31/12/2019	Amount	Variations %
A) Commitments to grant finance certain to be called on	-	-	-	-
of which commitments for financing to be granted	-	-	-	-
B) Commitments to exchange financial instruments certain to be called on	-	-	-	-
C) Commitments to grant finance not certain to be called on	3.027.319	480.900	2.546.419	529,51%
of which passive margins usable on credit lines	3.027.319	480.900	2.546.419	529,51%
of which put option issued	-	-	-	-
D) Commitments to exchange financial instruments not certain to be called on	-	-	-	-
E) Other commitments	-	-	-	-
Total	3.027.319	480.900	2.546.419	529,51%

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

Table 20.8 | Forward commitments

	Coverage	Negotiation	Other transactions
1. Trades	8.344.000	8.637.071	-
1.1 Financial instruments	-	299.596	-
- purchases	-	149.807	-
- sales	-	149.789	-
1.2 Currencies	8.344.000	8.337.475	-
- currency against currency	-	-	-
- purchases against EUR	8.181.000	163.840	-
- sales against EUR	163.000	8.173.635	-
2. Deposits and loans	-	-	-
- to be given	-	-	-
- to be received	-	-	-
3. Derivative contracts	17.573.819	-	-
3.1 With exchange of capital	-	-	-
a) Securities	-	-	-
- purchases	-	-	-
- sales	-	-	-
b) Currencies	-	-	-
- currency against currency	-	-	-
- purchases against EUR	-	-	-
- sales against EUR	-	-	-
c) Other values	-	-	-
- purchases	-	-	-
- sales	-	-	-
3.2 Without exchange of capital	17.573.819	-	-
a) Currencies	-	-	-
- currency against currency	-	-	-
- purchases against EUR	-	-	-
- sales against EUR	-	-	-
b) Other values	17.573.819	-	-
- purchases	17.573.819	-	-
- sales	-	-	-

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

Year 2020

Table 20.9 | Derivatives

Operation category	Coverage	Negotiation	Other transactions
1. Derivative contracts	(1.306.020)	-	-
1.1 With exchange of capital	-	-	-
a) Securities	-	-	-
- purchases	-	-	-
- sales	-	-	-
b) Currencies	-	-	-
- currency against currency	-	-	-
- purchases against EUR	-	-	-
- sales against EUR	-	-	-
c) Other values	-	-	-
- purchases	-	-	-
- sales	-	-	-
1.2 Without exchange of capital	(1.306.020)	-	-
a) Currencies:	-	-	-
- currency against currency	-	-	-
- purchases against EUR	-	-	-
- sales against EUR	-	-	-
b) Other values	(1.306.020)	-	-
- purchases	(1.306.020)	-	-
- sales	-	-	-

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

Table 20.10 | Credit derivatives

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

Table not valued as data not present.

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

21. Memorandum accounts

Table 21.1 | Memorandum accounts

	31/12/2020	31/12/2019
1. Asset management	248.433.777	237.387.037
a) Customer asset management	248.433.777	237.387.037
of which cash	35.695.985	84.642.687
of which cash deposited at the reporting institution	35.695.985	84.642.687
of which debt securities	199.935.226	144.253.881
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	12.802.566	8.490.469
of which capital securities issued by the reporting institution	-	-
b) Portfolios managed by third parties	-	-
2. Custody and administration of financial instruments	508.436.097	461.535.536
a) Deposited third parties securities	237.915.702	160.116.149
of which debt securities issued by the reporting institution	27.678.000	58.321.000
of which debt securities issued by other San Marino credit institutions	38.584.460	3
of which capital securities and other values issued by the reporting institution	19.418.000	19.300.000
of which third-party financial instruments deposited with third parties	161.499.985	80.906.529
b) Owned securities deposit with third parties	270.520.395	301.419.387
3. Financial instruments, liquid assets and other assets related to custodian bank activity:	65.246.300	-
a) Cash	5.982.852	-
of which cash deposited by the reporting institution	5.982.852	-
b) Debt securities	28.210.934	-
of which debt securities issued by the reporting institution	-	-
of which debt securities issued by other San Marino credit institutions	28.210.934	-
c) Capital securities, CIS shares, other financial instruments	-	-
of which capital securities issued by the reporting institution	-	-
d) Assets other than financial instruments and cash	31.052.514	-

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 € 19.418.000.

Year 2020

In December 2020, our Bank became a depositary bank for assets connected with the San Marino Odisseo, Loan Management and Arte Moderna investment funds managed by Scudo Investimenti SG S.p.A.

Table 21.2 | Mediation for third parties: execution of orders

	31/12/2020	31/12/2019
A) Purchases	90.290.334	84.489.431
of which purchases not settled at the reference date	144.324	6.223
B) Sales	59.774.819	49.958.582
of which sales not settled at the reference date	-	54.508

Table 21.3 | Composition of Indirect Deposits by economic activity sector

	31/12/2020	31/12/2019
A) Public administrations	3.207.340	100.000
B) Financial companies	136.240.450	2.280.080
B1. Monetary financial institutions	52.316.984	-
B2. Investment funds other than money market funds	28.210.935	-
B3. Other financial institutions	55.712.531	2.280.080
B4. Insurance companies	-	-
B5. Pension funds	-	-
C) Non-financial companies	30.027.089	20.145.031
of which persons deleted from the Register of Authorized Entities	1.007.013	-
C1. Industry	17.528.512	7.732.881
C2. Building	18.000	553.363
C3. Services	11.231.840	10.333.119
C4. Other non-financial companies	1.248.737	1.525.668
D) Households and non-profit institutions serving households	281.711.549	231.114.388
D1. Consumer families	280.196.681	230.145.373
D2. Non-profit institutions serving households	1.514.868	969.015
E) Other	-	-
Total	451.186.428	253.639.499

Table 21.4 | Trust activity

	31/12/2020	31/12/2019
1. Transferable assets	83.102.370	85.957.733
1.1 financial instruments	75.728.772	66.418.900
1.2 liquid assets	7.373.598	19.538.833
2. Company holdings	-	-
2.1 units or shares of joint-stock companies	-	-
2.2 shareholders' loans	-	-
2.3 liquid assets	-	-
3. Loans to third parties	-	-
3.1 financial instruments	-	-
3.2 liquid assets	-	-
4. Other movable or intangible assets	-	-
4.1 movable or intangible assets	-	-
4.2 liquid assets	-	-
5. Total of trust activity	83.102.370	85.957.733
5.1 of which total liquid assets	7.373.598	19.538.833

Table 21.5 | Assets held when acting as trustee

	31/12/2020	31/12/2019
A) Assets		
A1. Cash and cash equivalents	-	-
A2. Loans	-	-
A3. Securities	-	-
A3.1 Debt securities	-	-
A3.2 Capital securities	-	-
A3.3 OIC	-	-
A3.4 Other	-	-
A4. Holdings	-	-
A5. Other financial assets	-	-
A6. Immovable assets	-	-
A7. Registered movable assets	-	-
A8. Other products and services	-	-
Total assets held in Trust	-	-
B) Liabilities		
B1. Debts	-	-
B2. Other liabilities	-	-
Total liabilities held in Trust	-	-
C) Operating income and charges		
C1. Income related to assets in Trust	-	-
C2. Charges related to assets in Trust	-	-
Difference between income and charges	-	-

Table not valued as data not present.

SECTION F – INFORMATION ABOUT THE PROFIT AND LOSS ACCOUNT

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

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

	31/12/2020	31/12/2019	Amount	Variations %
A) On Treasury securities and other financial instruments eligible for refinancing with central banks	-	-	-	-
A1. Treasury Securities and other similar financial instruments	-	-	-	-
A2. Other financial instruments eligible for refinancing with central banks	-	-	-	-
B) On inter-bank loans	(12.997)	52.108	(65.105)	(124,94%)
B1. Current accounts	(12.997)	52.108	(65.105)	(124,94%)
B2. Deposits	-	-	-	-
B3. Other loans	-	-	-	-
of which on financial leases	-	-	-	-
C) On customer loans	5.532.410	5.298.757	233.653	4,41%
C1. Current accounts	808.494	761.689	46.805	6,14%
C2. Deposits	-	-	-	-
C3. Other loans	4.723.916	4.537.068	186.848	4,12%
of which on financial leases	1.138.945	1.093.338	45.607	4,17%
D) On debt securities from banks	-	-	-	-
D1. Certificates of deposit	-	-	-	-
D2. Bonds	-	-	-	-
D3. Other financial instruments	-	-	-	-
E) On financial debt instruments from customers (issued by other issuers)	6.717.726	6.272.396	445.330	7,10%
E1. Bonds	6.717.726	6.272.396	445.330	7,10%
E2. Other financial instruments	-	-	-	-
Total	12.237.139	11.623.261	613.878	5,28%

Year 2020

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

			Variations	
	31/12/2020	31/12/2019	Amount	%
A) On debts with banks	286.825	309.157	(22.332)	(7,22%)
A1. Current accounts overdrafts	45.414	20.816	24.598	118,17%
A2. Deposits	46.158	107.755	(61.597)	(57,16%)
A3. Other debts	195.253	180.586	14.667	8,12%
B) On debts with customers	851.818	1.135.472	(283.654)	(24,98%)
B1. Current accounts overdrafts	537.964	776.839	(238.875)	(30,75%)
B2. Deposits	4.477	118.060	(113.583)	(96,21%)
B3. Other debts	309.377	240.573	68.804	28,60%
C) On debts represented by securities with banks	-	-	-	-
of which on certificates of deposit	-	-	-	-
D) On debts represented by securities with customers	1.337.843	1.727.521	(389.678)	(22,56%)
of which on certificates of deposit	702.446	932.743	(230.297)	(24,69%)
E) On subordinated liabilities	-	-	-	-
of which on hybrid capitalization instruments	-	-	-	-
Total	2.476.486	3.172.150	(695.664)	(21,93%)

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

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

			Variations	
	31/12/2020	31/12/2019	Amount	%
A) On shares, quotas and other capital financial instruments	-	-	-	-
B) On holdings	-	-	-	-
C) On holdings in bank group companies	-	-	-	-
Total	-	-	-	-

Table not valued as data not present.

Year 2020

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

Table 24.1 | Composition of item 40 "Commissions earned"

			Variations	
	31/12/2020	31/12/2019	Amount	%
A) Guarantees issued	56.689	75.223	(18.534)	(24,64%)
B) Credit derivatives	-	-	-	-
C) Investment services:	2.337.775	2.243.111	94.664	4,22%
C1. receipt and transmission of orders (let. D 1 enc.1 LISF)	457.080	494.041	(36.961)	(7,48%)
C2. execution of orders (let. D2 enc.1 LISF)	268.326	179.425	88.901	49,55%
C3. management of securities portfolio (let. D4 enc.1 LISF)	1.612.369	1.569.645	42.724	2,72%
C4. placement of securities (let. D5 and D6 enc.1 LISF)	-	-	-	-
D) Consultancy services	-	-	-	-
E) Distribution of third-party services and products other than placement:	51.760	19.905	31.855	160,04%
E1. asset management	-	-	-	-
E2. insurance products	51.760	19.905	31.855	160,04%
E3. other services or products	-	-	-	-
F) Collection and payment services	950.284	966.080	(15.796)	(1,64%)
G) Custodian bank services	-	-	-	-
H) Securities custody and management	69.052	46.289	22.763	49,18%
I) Trust services	3.500	3.500	-	-
L) Operation of tax services and treasury	-	-	-	-
M) Currency transactions	64.578	41.454	23.124	55,78%
N) Commissions for collective management services (letters E and F, Annex 1 LISF)	-	-	-	-
O) Electronic money	63.420	55.268	8.152	14,75%
P) Issuance/management of credit/debit cards	277.918	259.458	18.460	7,11%
Q) Other services	260.792	274.031	(13.239)	(4,83%)
Total	4.135.768	3.984.319	151.449	3,80%

Year 2020

Table 24.2 | Composition of item 5 “Commissions paid”

			Variations	
	31/12/2020	31/12/2019	Amount	%
A) Guarantees received	6.780	3.377	3.403	100,77%
B) Credit derivatives	-	-	-	-
C) Investment services:	345.252	322.800	22.452	6,96%
C1. receipt and transmission of orders (let. D 1 enc.1 LISF)	-	-	-	-
C2. execution of orders (let. D2 enc.1 LISF)	100.816	95.197	5.619	5,90%
C3. management of securities portfolios (let. D4 enc.1 LISF):	244.436	227.603	16.833	7,40%
C3.1 own portfolio	18.188	38.114	(19.926)	(52,28%)
C3.2 third-party portfolio	226.248	189.489	36.759	19,40%
C4. placement of securities (let. D5 and D6 enc.1 LISF)	-	-	-	-
D) Door-to-door sale of financial instruments, products and services	-	-	-	-
E) Collection and payment services	610.579	575.022	35.557	6,18%
F) Commissions for distributors	-	-	-	-
G) Electronic money	55.795	46.809	8.986	19,20%
H) Issuance/management of credit/debit cards	244.504	219.746	24.758	11,27%
I) Other services	66.964	44.597	22.367	50,15%
Total	1.329.874	1.212.351	117.523	9,69%

Table 24.3 | SG: information on commission income and expense

The table is not completed as it is not applicable.

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

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

	Securities transactions	Currency transactions	Transaction on precious metals	Other transactions
A1. Revaluations	1.617.819			-
A2. Write-downs	(317.555)			-
B. Other profits / losses (+/-)	904.195	157.770	-	-
Total	2.204.459	157.770	-	-
1. Government securities	538.957			
2. Other debt financial instruments	1.667.662			
3. Capital financial instruments	(2.160)			
4. Contracts derived from financial instruments	-			

Gains and losses on the value of the securities of the trading portfolio as at 31/12/2020 are entered in the items “Revaluations” and “Writedowns” respectively. The item “B. Other profits/losses” includes the profits and losses deriving from the negotiation and sale of financial instruments and from transactions for the sale of currencies other than the Euro.

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

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

	31/12/2020	31/12/2019	Amount	Variations
				%
Other operating income:				
- Capital share of leasing fees	5.942.881	9.307.999	(3.365.118)	(36,15%)
- Recovery of expenses and other operating income	513.223	502.520	10.703	2,13%
Total	6.456.104	9.810.519	(3.354.415)	(34,19%)
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 31/12/2020	Personnel cost as at 31/12/2020	Number as at 31/12/2020	Average as at 31/12/2019	Personnel cost as at 31/12/2019	Number as at 31/12/2019
A) Senior managers	11,00	1.707.743	11	11,92	1.921.463	11
B) Managers	1,08	95.793	2	1,00	85.448	1
C) Remaining personnel	40,00	2.226.710	40	36,83	1.836.854	36
C1. Office employees	35,08	1.980.644	35	36,83	1.836.854	36
C2. Other personnel	4,92	246.066	5	-	-	-
Total	52,08	4.030.246	53	49,75	3.843.765	48

The workforce comprises 11 executives (1 general manager, 1 deputy general manager and 9 officials responsible for operational areas and branches), 2 managers and 35 employees. 60% of the employees are men and the remaining 40% are women. Item "C2. Other personnel" values the employees on secondment from 01/01/2020 to 31/12/2020 from Banca Nazionale Sammarinese as established by the operation of acquisition of assets and liabilities of BNS. These employees became part of the Bank's workforce as employees in early 2021.

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

			Variations	
	31/12/2020	31/12/2019	Amount	%
Other administrative expenses	2.016.901	2.027.553	(10.652)	(0,53%)
of which remuneration for independent auditors	47.020	38.888	8.132	20,91%
of which for services other than budget review	-	-	-	-
of which Other:	1.969.881	1.988.665	(18.784)	(0,94%)
a) network service fees	593.110	518.492	74.618	14,39%
b) supervisory and associative burdens	338.557	398.245	(59.688)	(14,99%)
c) services	303.881	350.077	(46.196)	(13,20%)
d) rental expenses	137.099	136.780	319	0,23%
e) utilities and service fees	114.524	101.728	12.796	12,58%
f) insurance	81.486	75.635	5.851	7,74%
g) consumable materials	80.354	83.512	(3.158)	(3,78%)
h) maintenance and repair	59.839	39.559	20.280	51,27%
i) taxes and duties	45.814	27.035	18.779	69,46%
j) transfer to the Depositors Guarantee Fund	41.380	73.036	(31.656)	(43,34%)
k) agency cost	39.808	26.412	13.396	50,72%
l) advertising	25.612	34.458	(8.846)	(25,67%)
m) other general expenses	108.417	123.696	(15.279)	(12,35%)

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

Table 27.3 | Remuneration

			Variations	
	31/12/2020	31/12/2019	Amount	%
A) Directors	180.846	100.006	80.840	80,84%
B) Auditors	48.600	48.000	600	1,25%
C) Management	568.282	596.756	(28.474)	(4,77%)
Total	797.728	744.762	52.966	7,11%

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”

	31/12/2020	31/12/2019	Amount	Variations
				%
A) Intangible fixed assets	330.228	286.619	43.609	15,21%
of which on assets leased	-	-	-	-
of which on other intangible assets:	330.228	286.619	43.609	15,21%
A1. Multi-year fees	211.254	179.008	32.246	18,01%
A2. Software	118.974	107.611	11.363	10,56%
B) Tangible fixed assets	6.272.918	9.582.190	(3.309.272)	(34,54%)
of which on assets leased	5.942.881	9.307.998	(3.365.117)	(36,15%)
of which on other tangible assets:	330.037	274.192	55.845	20,37%
B1. Lands and buildings	151.438	88.548	62.890	71,02%
B2. Electronic office devices	68.927	75.816	(6.889)	(9,09%)
B3. Systems and technical equipment	54.933	62.975	(8.042)	(12,77%)
B4. Furniture	44.371	44.211	160	0,36%
B5. Vehicles	10.368	2.642	7.726	292,43%
Total	6.603.146	9.868.809	(3.265.663)	(33,09%)

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

	31/12/2020	31/12/2019	Amount	Variations
				%
Provisions (relating to sub-item “Other funds” of Liabilities):	1.000.000	-	1.000.000	-
- Fondo cause legali	1.000.000	-	1.000.000	-

For further information on the details of the provisions for risks and charges, please refer to what is indicated at the bottom of Table 18.2.

Table 28.3 | Item 130 "Allowances for possible loan losses"

	31/12/2020	31/12/2019	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"

	31/12/2020	31/12/2019	Amount	Variations %
A) Value adjustments on credits	1.361.103	2.100.039	(738.936)	(35,19%)
of which:				
- lump-sum adjustments for country risk	-	-	-	-
- other lump-sum adjustments	62.278	49.585	12.693	25,60%
B) Provisions for guarantees and commitments	-	-	-	-
of which:				
- lump-sum adjustments for country risk	-	-	-	-
- other lump-sum adjustments	-	-	-	-
Total	1.361.103	2.100.039	(738.936)	(35,19%)

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

	31/12/2020		31/12/2019	Variations	
	Analytical	Lump sum		Amount	%
A) Total cash credit write-downs	1.154.972	62.278	1.573.725	(356.475)	(22,65%)
A1. Non-performing loans	583.994	-	767.338	(183.344)	(23,89%)
A2. Substandard loans	42.643	-	209.227	(166.584)	(79,62%)
A3. Other loans	528.335	62.278	597.160	(6.547)	(1,10%)
B) Total losses on cash credits	143.853	-	526.314	(382.461)	(72,67%)
B1. Non-performing loans	142.749	-	476.276	(333.527)	(70,03%)
B2. Substandard loans	-	-	1.858	(1.858)	(100,00%)
B3. Other loans	1.104	-	48.180	(47.076)	(97,71%)
Total cash value adjustments (A+B)	1.298.825	62.278	2.100.039	(738.936)	(35,19%)
C) Total advances on guarantees and commitments	-	-	-	-	-
C1. Guarantees	-	-	-	-	-
C2. Commitments	-	-	-	-	-
Total (A+B) + C	1.298.825	62.278	2.100.039	(738.936)	(35,19%)

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

	31/12/2020	31/12/2019	Amount	Variations
				%
Write backs	415.206	592.839	(177.633)	(29,96%)
- of which on non-performing loans	249.949	374.561	(124.612)	(33,27%)
- of which on substandard loans	20.932	46.982	(26.050)	(55,45%)
- of which on other credits	144.325	171.296	(26.971)	(15,75%)

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

	31/12/2020	31/12/2019	Amount	Variations %
Value adjustments	-	198.007	(198.007)	(100,00%)
- 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	(198.007)	(100,00%)
- of which on derivative financial instruments	-	-	-	-

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

	31/12/2020	31/12/2019	Amount	Variations %
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”

	31/12/2020	31/12/2019	Amount	Variations %
Extraordinary income:				
- Profit from realization of investment securities	90.826	1.902.956	(1.812.130)	(95,23%)
- Capital gains	9.500	-	9.500	-
- Other contingent assets	22.227	8.695	13.532	155,63%
Total	122.553	1.911.651	(1.789.098)	(93,59%)
Extraordinary expenses:				
- Losses from realization of investment securities	535.850	17.886	517.964	2.895,92%
- Other extraordinary expenses	31.113	68.841	(37.728)	(54,80%)
Total	566.963	86.727	480.236	553,73%

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”

	31/12/2020	31/12/2019	Amount	Variations %
Change in the General financial risk fund	-	2.000.000	(2.000.000)	(100,00%)

SECTION G – OTHER INFORMATION TABLES

31. Prudential aggregates

Table 31.1 | Prudential aggregates

	Amount / %
Regulatory capital	
A1. Core capital	37.620.106
A2. Supplementary capital	744.614
A3. Deductions	933.446
A4. Regulatory capital	37.431.274
Risk assets and supervisory ratios	
B1. Weighted risk assets	210.819.496
C1. Regulatory capital / Weighted risk assets	17,76%
Supervisory requirements	
D1. Market risks	-

The bank has assets suitable for covering potential risks, showing a total capital ratio of 17,76%, which is therefore well above the required regulatory minimum of 11%.

32. Major risks and related parties

Table 32.1 | Major risks

	31/12/2020	31/12/2019	Amount	Variations %
Amount	3.774.085	19.988.912	(16.214.827)	(81,12%)
Number	1	5	(4)	(80,00%)

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

Year 2020

Table 32.2 | Risks to related parties

	31/12/2020	31/12/2019	Amount	Variations
				%
Amount	4.869.945	4.191.575	678.370	16,18%
Number	13	11	2	18,18%

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

33. Time distribution of assets and liabilities

Table 33.1 | Time distribution of assets and liabilities

	Total	Sight	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 18 months	From more than 1 year to 18 months	From more than 18 months to 2 years	From more than 2 years to 5 years	From more than 5 years to 10 years	More than 10 years	More than 15 years	No term
Fixed rate (F) - Variable rate (V)													
1. Assets													
11 Treasury securities and other financial instruments eligible for refinancing with central banks	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Loans to credit institutions	169.235.492	140.606.617	-	-	-	-	-	-	-	-	-	-	28.628.875
13 Loans to customers	160.098.522	14.287.603	16.719.696	6.662.806	9.684.430	12.38.308	6.331.723	1.495.349	6.787.730	4.407.520	31.221.332	7.669.675	48.103.696
14 Bonds and other debt financial instruments	271.011.822	1.010.151	7.018.831	13.411.216	17.233.349	5.201.544	14.201.668	10.046.397	10.698.050	63.702.566	62.284.026	35.583.478	30.620.546
15 Off-balance sheet transactions	29.244.735	3.027.319	2.432.947	3.411.928	4.133.131	-	-	14.23.371	-	4.187.768	-	10.628.271	-
2. Liabilities													
21 Payables to credit institutions	2.861.805	398.868	2.462.937	-	-	-	-	-	-	-	-	-	-
22 Payables to customers	428.637.067	354.021.949	31.992.013	37.279.284	5.343.821	-	-	-	-	-	-	-	-
23 Payables represented by financial instruments:	147.666.029	3.292.136	44.403.869	26.791.625	29.691.376	12.815.221	-	18.484.242	-	12.187.560	-	-	-
- Bonds	27.786.465	-	-	-	-	10.097.363	-	16.897.639	-	791.463	-	-	-
- Certificates of deposit	119.879.564	3.292.136	44.403.869	26.791.625	29.691.376	2.717.858	-	1586.603	-	11.396.097	-	-	-
- Other financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-
24 Other liabilities: cheques in circulation and similar securities	882.930	882.930	-	-	-	-	-	-	-	-	-	-	-
25 Subordinated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-
26 Off-balance sheet transactions	8.337.475	-	1.734.619	3.080.178	3.522.678	-	-	-	-	-	-	-	-

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

34. Securitization transactions

The bank did not carry out any securitization transactions.

35. Payment institutions and electronic money institutions: further information

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

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

Table 36.1 | Volumes of payment transactions

Type of operations	31/12/2020				31/12/2019			
	Amount of operations	Number of operations	Commissions received	Expense recoveries	Amount of operations	Number of operations	Commissions received	Expense recoveries
a) Credit cards	16.914.617	205.192	13.661	99.961	18.297.488	209.329	18.868	104.408
b) Debit cards	24.458.664	307.180	19.753	144.544	20.213.084	253.649	20.844	115.338
c) Electronic money	9.441.297	86.556	7.625	55.795	8.203.268	84.735	8.459	46.809
Total	50.814.578	598.928	41.039	300.300	46.713.840	547.713	48.171	266.555

Table 36.2 | Fraudulent uses

Type of operations	31/12/2020				31/12/2019			
	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	16.499	73	-	-	18.128	69	-	-
b) Debit cards	126	1	-	-	231	2	-	-
c) Electronic money	6.020	30	-	-	1.866	15	-	-
Total	22.645	104	-	-	20.225	86	-	-

Table 36.3 | Credit cards revoked due to insolvency

Risk operation type	31/12/2020		31/12/2019	
	Amount	Number of cards	Amount	Number of cards
a) On the intermediary	-	-	-	-
b) On third parties	-	-	-	-
Total	-	-	-	-

Table not valued as data not present.

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 Bank), made up of the statement of assets and liabilities as at December 31, 2020, 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 Standards on Auditing. Our responsibilities under these principles are further described in the section of this report entitled "Responsibilities of the auditing firm for the audit of the financial statements". We are independent of the Bank in compliance with the rules and principles on ethics and independence applicable in the San Marino system to the audit of financial statements. We believe that we acquired sufficient and appropriate 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 Bank's ability to continue operating as an operating entity and, in preparing the financial statements, for the appropriateness of the use of the going concern assumption, as well as for adequate disclosure on the matter. The directors use the going concern assumption in preparing the financial statements unless they have considered that the conditions exist for the liquidation of the Bank or the interruption of business, or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for supervising, within the terms provided for by law, the process of preparing the Bank's financial policy.

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

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

As part of the audit carried out in accordance with the legislation in force in the Republic of San Marino and, where applicable, the International Standards on Auditing, we exercised 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 Bank;
- 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 Bank'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 disclosures, or, if such disclosures are inadequate, to reflect this fact in the formulation of our judgment. Our conclusions are based on the audit evidence obtained up to the date of this report. However, subsequent events or circumstances may result in the Bank ceasing to operate as an operating entity;
- we assessed the presentation, structure and content of the financial statements as a whole, including the disclosures, 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, 2020 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 revaluation of the real estate used as the Bank's registered office and headquarters, allowed by art. 22 Law 113/2020 amounting to € 784,000, as better detailed in paragraphs 8 and 19 of the Explanatory Notes;
- the transfer of financial instruments from the trading portfolio to the investment portfolio, for an amount equal to € 40,127; this option, provided for by BCSM Prot. no. 20/3582 of April 6, 2020 in view of the exceptional situation created by the COVID-19 health emergency, is better detailed and explained in paragraph 5 of the Explanatory Notes;
- the disinvestment of long-term financial instruments from the investment portfolio before their maturity, for a countervalue of € 8,759, as better detailed and explained in paragraph 5 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, 2020, 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 Bank as at December 31, 2020 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, 2020 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 Bank and the related context acquired during the audit, we have nothing to report.

San Marino, 21/04/2021

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

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**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE FINANCIAL
STATEMENTS FOR THE YEAR CLOSED AS AT 31.12.2020**

*** **

Dear Shareholders,

the draft financial statements for the year ended 31 December 2020, 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 2020 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:

- revaluation of the real estate used as the Bank's registered office and operational headquarters;
- transfer of financial assets from the free portfolio to the investment portfolio;
- disinvestment of long-term financial instruments before maturity.

The financial statements, the notes to the financial statements and the Board of Directors' report on the 2020 financial statements were made available to the Board of Statutory Auditors.

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	1.508.360
Tangible fixed assets net of funds	Euro	42.530.291
Current assets: cash and cash equivalents	Euro	171.902.134
Current assets (net of the Allowance for doubtful accounts): credits and securities	Euro	435.535.640
Accrued revenues and deferred expenses	Euro	1.002.949
TOTAL ASSETS	Euro	652.479.374
Net equity		
Share capital	Euro	21.500.000
Other reserves	Euro	10.873.352
Revaluation reserve	Euro	744.614
Current Earnings (Losses)	Euro	5.247.507
LIABILITIES		
Employees' termination benefits provision	Euro	292.001
Provisions for risks and charges	Euro	2.052.595
Provisions for general banking risks	Euro	5.000.000
Subordinated liabilities	Euro	0
Payables to banks	Euro	2.861.805
Payables to customers, securities and others	Euro	603.768.275
Accrued liabilities and deferred income	Euro	139.225
TOTAL LIABILITIES AND NET EQUITY	Euro	652.479.374
Guarantees, commitments, risks and order accounts	Euro	65.152.011
Profit and loss account:		
Positive components	Euro	25.728.999
Negative components	Euro	20.481.492
Current Earnings (Losses)	Euro	5.247.507

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 2020, 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 2020, 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 2020 financial year highlights a positive result of € 5.247.507 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 2020, 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.

Pursuant to Art. 6, Law no. 47 of February 23, 2006 and subsequent amendments, the members of the Board of Statutory Auditors, under their own responsibility, certify that they still meet the objective and subjective conditions required by law for the position held and that they do not fall under the conditions provided for by Art. 60 of the same Law.

San Marino, April 30, 2021.

The Board of Statutory Auditors

Avv. Alfredo Amici (Chairman)

Rag. Marco Cevoli

Avv. Alessandro Olei