



BSI

banca sammarinese
di investimento

Financial Statements
Year 2021

TABLE OF CONTENTS

CORPORATE OFFICERS AS OF 31/12/2021	3
PRESENCE WITHIN THE TERRITORY: BRANCHES	4
BOARD OF DIRECTORS' REPORT ON MANAGEMENT	5
THE INTERNATIONAL MACROECONOMIC SCENARIO	5
INTERNATIONAL FINANCIAL MARKETS	9
ECONOMIC PERFORMANCE IN THE ITALIAN REPUBLIC	10
ECONOMIC PERFORMANCE IN THE REPUBLIC OF SAN MARINO	11
THE SAN MARINO FINANCIAL SYSTEM	12
the reference legislation introduced in 2021	13
BANCA SAMMARINESE DI INVESTIMENTO	16
the internal control system	16
EXPOSURE TO RISKS	17
MANAGEMENT PERFORMANCE	18
RECLASSIFIED STATEMENT OF ASSETS AND LIABILITIES	22
RECLASSIFIED PROFIT AND LOSS ACCOUNT	23
HIGHLIGHTS AND INDICATORS	24
STATEMENT OF CASH FLOW	27
SUBSEQUENT EVENTS	28
BUSINESS OUTLOOK	28
OTHER INFORMATION	28
PROPOSAL FOR THE ALLOCATION OF PROFITS	29
FINANCIAL STATEMENTS	30
BALANCE SHEET - ASSETS	30
BALANCE SHEET - LIABILITIES	32
BALANCE SHEET - GUARANTEES AND COMMITMENTS	33
PROFIT AND LOSS ACCOUNT	34
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	73
Section D - INFORMATION ON THE STATEMENTS OF ASSETS AND LIABILITIES - GUARANTEES AND COMMITMENTS	85
SECTION E - INFORMATION ABOUT THE STATEMENT OF ASSETS AND LIABILITIES - MEMORANDUM ACCOUNTS ...	91
SECTION F - INFORMATION ABOUT THE PROFIT AND LOSS ACCOUNT	95
SECTION G - OTHER INFORMATION TABLES	110
SECTION H - OTHER INFORMATION	118

CORPORATE OFFICERS AS OF 31/12/2021

S.P.A. BANCA SAMMARINESE DI INVESTIMENTO

Registered Office and Headquarters Via Monaldo da Falciano, 3
47891 Falciano
San Marino

Telephone (+378) 0549 940900

Fax (+378) 0549 940980

Website <https://www.bsi.sm>

Email info@bsi.sm

Share Capital Euro 21.500.000,00 fully paid in

Economic Operator Code 18493

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

Francesca Monaldini Chairman

Fabrizio Cremoni Standing Auditors
Alida Tosi

Pierluigi Rossetti Managing Director

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

PRESENCE WITHIN THE TERRITORY: BRANCHES

BIC SWIFT

BSDISMSDXXX

ABI 03287 CAB 09801

Rovereta Branch

Via Monaldo da Falciano, 3
47891 Falciano
Tel (+378) 0549 940961 / Fax (+378) 0549 940981
Email filiale.rovereta@bsi.sm

ABI 03287 CAB 09802

Dogana Branch

Via Tre Settembre, 131
47891 Dogana
Tel (+378) 0549 940963 / Fax (+378) 0549 940982
Email filiale.dogana@bsi.sm

ABI 03287 CAB 09803

Borgo Maggiore Branch

Via Ventotto Luglio, 99
47893 Borgo Maggiore
Tel (+378) 0549 940965 / Fax (+378) 0549 940983
Email filiale.borgomaggiore@bsi.sm

ABI 03287 CAB 09804

Città Branch

Via Gino Giacomini, 150
47890 San Marino
Tel (+378) 0549 940967 / Fax (+378) 0549 940984
Email filiale.citta@bsi.sm

ABI 03287 CAB 09805

Gualdicciolo Branch

Via Fabrizio da Montebello, 5
47892 Gualdicciolo
Tel (+378) 0549 940969 / Fax (+378) 0549 940985
Email filiale.gualdicciolo@bsi.sm

ABI 03287 CAB 09806

Fiorentino Branch

Via del Passetto, 34
47897 Fiorentino
Tel (+378) 0549 940971 / Fax (+378) 0549 940986
Email filiale.fiorentino@bsi.sm

BOARD OF DIRECTORS' REPORT ON MANAGEMENT

THE INTERNATIONAL MACROECONOMIC SCENARIO

The growth of the global economy has slowed under the lingering effects of the COVID-19 pandemic and the alternating restrictions on mobility, prolonged inflationary tensions, geopolitical frictions recently resulting in Russia's armed attack on Ukraine and the bottleneck in the commodity chain.

In particular, the International Monetary Fund, after the +5.9% estimated for 2021, forecasts that world GDP will rise by 4.4% in 2022, down 0.5% compared to the previous forecast of October 2021. The downward trend would be a direct consequence of the cut in estimates for the United States and China, without prejudice to the divergences between the various geographical and economic areas that the forecasts summarize.

In fact, while for advanced economies estimates assume that pre-COVID levels will be reached in the first half of 2022, thanks also to the benefits deriving from the vaccination policies undertaken and the measures to support the economy, for emerging economies the target should be reached only in 2024.

The graph below details the cut in GDP forecasts made by the International Monetary Fund, while the table below describes the growth forecasts reported in the IMF World Economic Outlook last January.

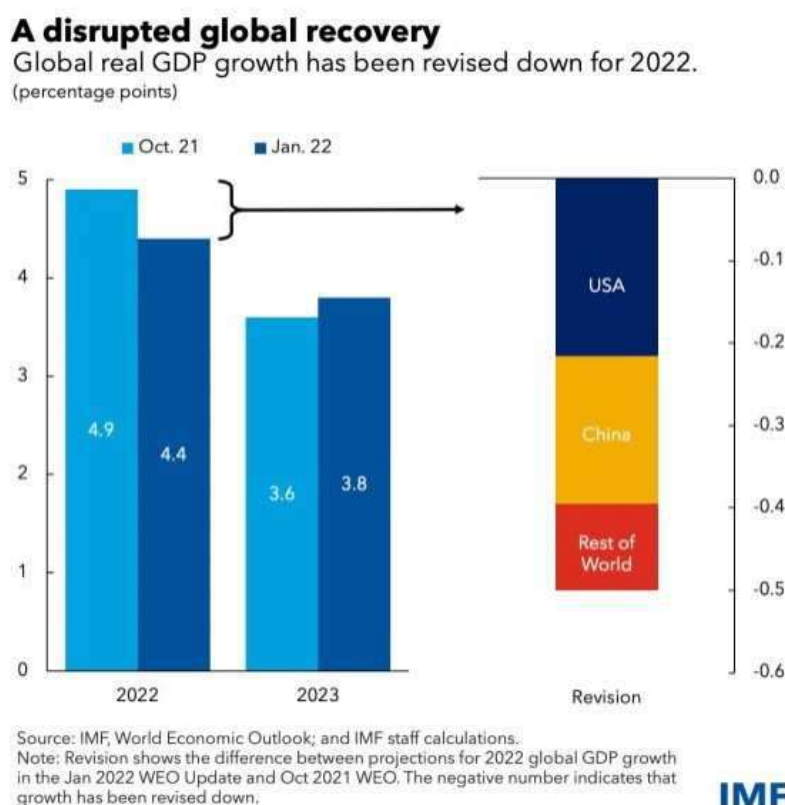


Table 1. Overview of the World Economic Outlook Projections
(Percent change, unless noted otherwise)

	Year over Year				Difference from October 2021		Q4 over Q4 2/		
	2020	Estimate	Projections		WEO Projections 1/		Estimate	Projections	
		2021	2022	2023	2022	2023	2021	2022	2023
World Output	-3.1	5.9	4.4	3.8	-0.5	0.2	4.2	3.9	3.4
Advanced Economies	-4.5	5.9	3.9	2.6	-0.6	0.4	4.4	3.5	1.8
United States	-3.4	5.6	4.0	2.6	-1.2	0.4	5.3	3.5	2.0
Euro Area	-6.4	5.2	3.9	2.5	-0.4	0.5	4.8	3.2	1.8
Germany	-4.6	2.7	3.8	2.5	-0.8	0.9	1.9	4.2	1.6
France	-8.0	6.7	3.5	1.8	-0.4	0.0	5.0	1.9	1.7
Italy	-8.9	6.2	3.8	2.2	-0.4	0.6	6.2	2.5	1.7
Spain	-10.8	4.9	5.8	3.8	-0.6	1.2	4.9	5.0	2.5
Japan	-4.5	1.6	3.3	1.8	0.1	0.4	0.4	3.6	1.1
United Kingdom	-9.4	7.2	4.7	2.3	-0.3	0.4	6.3	3.8	0.5
Canada	-5.2	4.7	4.1	2.8	-0.8	0.2	3.5	3.9	1.9
Other Advanced Economies 3/	-1.9	4.7	3.6	2.9	-0.1	0.0	3.8	3.4	2.5
Emerging Market and Developing Economies	-2.0	6.5	4.8	4.7	-0.3	0.1	4.0	4.3	4.8
Emerging and Developing Asia	-0.9	7.2	5.9	5.8	-0.4	0.1	3.7	5.4	5.7
China	2.3	8.1	4.8	5.2	-0.8	-0.1	3.5	5.1	5.0
India 4/	-7.3	9.0	9.0	7.1	0.5	0.5	4.3	5.8	7.5
ASEAN-5 5/	-3.4	3.1	5.6	6.0	-0.2	0.0	3.5	5.6	5.9
Emerging and Developing Europe	-1.8	6.5	3.5	2.9	-0.1	0.0	5.8	2.2	3.0
Russia	-2.7	4.5	2.8	2.1	-0.1	0.1	4.2	2.1	1.8
Latin America and the Caribbean	-6.9	6.8	2.4	2.6	-0.6	0.1	3.7	1.8	2.6
Brazil	-3.9	4.7	0.3	1.6	-1.2	-0.4	0.6	1.5	1.4
Mexico	-8.2	5.3	2.8	2.7	-1.2	0.5	2.9	3.4	1.9
Middle East and Central Asia	-2.8	4.2	4.3	3.6	0.2	-0.2	...	...	...
Saudi Arabia	-4.1	2.9	4.8	2.8	0.0	0.0	5.2	5.3	2.8
Sub-Saharan Africa	-1.7	4.0	3.7	4.0	-0.1	-0.1	...	...	...
Nigeria	-1.8	3.0	2.7	2.7	0.0	0.1	2.4	2.1	2.3
South Africa	-6.4	4.6	1.9	1.4	-0.3	0.0	1.3	2.6	0.9
Memorandum									
World Growth Based on Market Exchange Rates	-3.5	5.6	4.2	3.4	-0.5	0.3	4.2	3.9	2.8
European Union	-5.9	5.2	4.0	2.8	-0.4	0.5	4.9	3.5	1.9
Middle East and North Africa	-3.2	4.1	4.4	3.4	0.3	-0.1	...	...	...
Emerging Market and Middle-Income Economies	-2.2	6.8	4.8	4.6	-0.3	0.0	4.0	4.3	4.8
Low-Income Developing Countries	0.1	3.1	5.3	5.5	0.0	0.0	...	...	...
World Trade Volume (goods and services) 6/	-8.2	9.3	6.0	4.9	-0.7	0.4	...	...	...
Advanced Economies	-9.0	8.3	6.2	4.6	-0.7	0.6	...	...	...
Emerging Market and Developing Economies	-6.7	11.1	5.7	5.4	-0.7	0.0	...	...	...
Commodity Prices (US dollars)									
Oil 7/	-32.7	67.3	11.9	-7.8	13.7	-2.8	79.2	-4.7	-6.8
Nonfuel (average based on world commodity import weights)	6.7	26.7	3.1	-1.9	4.0	-0.4	17.2	1.5	-1.6
Consumer Prices									
Advanced Economies 8/	0.7	3.1	3.9	2.1	1.6	0.2	4.8	2.8	-2.0
Emerging Market and Developing Economies 9/	5.1	5.7	5.9	4.7	1.0	0.4	5.9	5.1	4.3

Note: Real effective exchange rates are assumed to remain constant at the levels prevailing during December 10, 2021–January 7, 2022. Economies are listed on the basis of economic size.

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

1/ Difference based on rounded figures for the current and October 2021 WEO forecasts. Countries whose forecasts have been updated relative to October 2021 WEO forecasts account for approximately 90 percent of world GDP measured at purchasing-power-parity weights.

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

3/ Excludes the Group of Seven (Canada, France, Germany, Italy, Japan, United Kingdom, United States) and euro area countries.

4/ For India, data and forecasts are presented on a fiscal year basis, with FY 2021/2022 starting in April 2021. For the January 2022 WEO Update, India's growth projections are 8.7 percent in 2022 and 6.6 percent in 2023 based on calendar year. The impact of the Omicron variant is captured in the column for 2021 in the table.

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

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

7/ Simple average of prices of UK Brent, Dubai Fateh, and West Texas Intermediate crude oil. The average price of oil in US dollars a barrel was \$69.07 in 2021; the assumed price, based on futures markets (as of January 10, 2022), is \$77.31 in 2022 and \$71.29 in 2023.

8/ The inflation rate for the euro area is 3.0% in 2022 and 1.7% in 2023, for Japan is 0.7% in 2022 and 2023, and for the United States is 5.9% in 2022 and 2.7% in 2023, respectively.

9/ Excludes Venezuela.

In detail, the growth rate of the U.S. economy has been revised downward by 1.2 percentage points compared to the October forecast; the U.S. GDP is expected to grow by 4% in 2022 and 2.6% in the following year. The cut in forecasts for the U.S. economy can be attributed to the changed scenario assessments of the Build Back Better plan - strongly advocated by President Biden's administration and focusing on major social and environmental priorities worth an estimated \$2 billion - the withdrawal of monetary stimulus measures and bottlenecks in commodity supply chains. In particular, the Federal Reserve, grappling with sharply rising inflation and still strong pent-up demand, has tightened its policies, increasing the pace of tapering from \$15 billion to \$30 billion per month. This move may give the US central bank more flexibility on interest rates. In addition, Federal Reserve tapering and slowing global growth should favor the dollar in 2022.

China also saw its growth forecasts cut by 0.8 percentage points compared to October estimates, stopping at +4.8% in 2022, as a result of the continued downsizing of the real estate sector and the slower than expected recovery in consumption. The 2023 outlook was less sharply revised, leaving 0.1 percentage points on the table, settling at +5.2 percent.

Among the BRICS countries, it is India that has the most significant growth forecasts, with an upward adjustment of

Year 2021

0.5 points in the January forecast compared to that of October, reaching +9% for 2022 and +7.1% for 2023. The growth outlook for the Brazilian economy is more contained, with expectations revised downward by 1.2 points for 2022 and 0.4 points for 2023, to +0.3% for the current year and +1.6% for the following year. As for Russia, the growth estimates gave GDP at +2.8% in 2022 and +2.1% in 2023, but we can expect a downward revision of the same (we assume very substantial), due to the opening of the conflict with Ukraine and related sanctions launched by the Western world.

On the European front, estimated growth for the euro area was 3.9 percentage points for the current year, down 0.4 points compared to the October estimates, and 2.5 points for next year, an upward revision of half a point compared to the October estimates.

In particular, it is the Spanish economy that is driving the recovery of the old continent with growth estimated at 5.8% for 2022 and 3.8% for 2023. For France and Germany, which both see their 2022 growth prospects revised downward compared to October, GDP is expected to increase by 3.5% and 3.8% for 2022 and 1.8% and 2.5% for 2023, respectively. The growth projections for the Italian economy are also in line with the previous ones, whose estimates, revised downwards compared to October, limited to the current year, stand at +3.8% for 2022 and +2.2% for 2023.

Having reviewed the outlook for economic growth, we will now turn our attention to an analysis of the variables that have determined its trends.

On the health emergency front, the spread of vaccines, the administration of which has reached ten billion doses globally, has allowed the containment of the epidemic and the easing of restrictions on economic activity and mobility, especially during the summer period. Unfortunately, however, with the return of the cold season, morbidity from COVID-19 has increased again, also due to the more contagious Omicron variant, with the consequent reintroduction of the necessary countermeasures.

The strong wave of new contagions has inevitably slowed production activity, which has also been negatively affected by bottlenecks in the supply chains, given the shortcomings in logistics, the increase in demand for goods by households and the depletion of inventories of companies that had revised downwards orders and investment plans. Moreover, the acceleration of the digitalization process caused by the pandemic has positively influenced the demand for electronic devices. This demand translated into a strong growth in the demand for semiconductors, which are also indispensable for the production of automobiles and household appliances, the supply of which has registered a slow adjustment with a consequent increase in the relative prices and delays for various production segments.

Demand factors were more significant in the United States than in other advanced economies due to the effect of transfers, also deliberated in 2021 by the Federal Government, which positively impacted household income, despite the fall in GDP, together with increases in stock prices and housing prices. The increase in demand resulted in a sharp rise in inflation for the United States; inflation was mainly affected by energy prices, used cars (given the delays in production caused by the shortage of microchips) and the rise in rents, and could remain high also due to the effect of wage increases.

In addition, since the second half of 2021, commodity prices have been characterised by high volatility as a result of economic recovery, supply constraints and, not least, the evolution of the pandemic. In particular, commodity prices have literally skyrocketed. The price of oil, after a sharp drop in November, went back above one hundred dollars a barrel at the beginning of the new year, an increase of 40%; the price of coal doubled and the price of natural gas, which had always remained high, increased sixfold as a result of several factors, including the harsh winter temperatures, the growing demand for electricity production and tensions with Russia.

Unfortunately, the violent escalation of the conflict between Russia and Ukraine has contributed to the increase in the prices of energy products, other raw materials and cereals already recorded, and, in the absence of any signs of easing, the outlook for price trends is certainly not comforting.

Year 2021

It goes without saying that the world economy has had to (and will have to) come to terms with the acceleration in prices, initially considered a temporary phenomenon. The trend in consumer prices, in fact, recorded +7% in the United States in December 2021 and +5.1% in January 2022 in the Euro area; both values are the highest recorded, respectively, since June 1982 and July 1991 in the United States and the Euro area.

This led the central banks to review the orientation of their monetary policies. The Federal Reserve, which had begun a normalisation process in November, further reduced purchases of Treasury securities and mortgage derivatives in January and anticipated an initial increase in short-term rates, which would be followed by a further two increases in 2022, three in 2023 and two in 2024.

Similarly, the Bank of England also decided to end the securities purchase program and to increase the interest rate to 0.25, with the possibility of further increases, in order to bring inflation back to 2%.

Monetary policy in Japan is expansionary; in China, too, moderately expansionary measures were adopted, given the contained inflation trend. Conversely, the sharp rise in price trends led to severe monetary restrictions in Brazil.

Similarly in Russia, which, however, in recent weeks has been forced to inject liquidity and raise interest rates to counter the fall of the ruble and the effects of economic sanctions following the armed action in Ukraine.

As for the ECB, in December the ECB planned to reduce its asset purchases, cancelling the pandemic plan component at the end of March, and reinforcing the Asset Purchase Programme (APP) as partial compensation.

Subsequently, at the beginning of March, due to the worsening geopolitical situation and on the wave of inflationary pressures, the ECB confirmed interest rates, postponing any change until after the 2% inflation target had been reached, and purchases under the PAA and PEPP Program at least until the end of March 2022 and, in any case, until it considers that the critical phase linked to the coronavirus is over.

Finally, a focus on the global debt that, as a result of the pandemic, has significantly increased its amount to reach the quota of 226 trillion dollars, equal to 256% of GDP in 2020, recording the highest level since the Second World War. In particular, according to the International Monetary Fund, in advanced economies public debt went from 70% of GDP in 2007 to 124% in 2019, while private debt, in the same period, increased from 164% to 187% of GDP.

The increase in global debt in 2020 was "justified by the need to protect lives, preserve jobs and avoid a wave of bankruptcies. Had governments not acted, the social and economic consequences would have been devastating," the Fund says. Despite this, however, "the surge amplifies weaknesses, especially in the face of tightening financial conditions." Given the context of high debt and rising inflation levels, the IMF called on countries to seek a balance between monetary and fiscal consolidation policies, given that "this strategy would reduce debt weaknesses and facilitate the work of central banks in containing inflation".

As regards debt, the revision of the Stability Pact, suspended in 2019 and until the end of 2022, is being discussed in the European sphere to allow member countries to find the financial resources to deal with the pandemic. By the end of the first quarter of 2022, the European Commission is expected to issue guidelines, drawn up as a result of the public consultation launched last October, which should enable the States to plan their budgets for 2023 in compliance with the provisions of the Stability Pact.

In the meantime, differences continue to emerge between countries on the issue of reducing spending, also in view of the resources needed to tackle climate change and implement the European Green Deal; an agreement under which the old continent will have to become climate neutral by 2050. Against the more rigorous positions of some countries, others, especially those whose regions are more dependent on fossil fuels and high-CO₂ industries, are calling for greater flexibility in order to cope with the profound economic, environmental and social transformation required to implement the agreement.

Year 2021

INTERNATIONAL FINANCIAL MARKETS

After a difficult 2020, characterized by the heavy losses accumulated in the first quarter due to the health emergency and the consequent restrictions that hit the real economy, the financial markets redeemed themselves, thanks also to the effect of the accommodating policies of the central banks and the economic support provided by the United States and the European Union.

The economic recovery had a positive impact on corporate profits and stock markets in all sectors until the beginning of November, when market performance was affected by news about the release of the Omicron variant; news that influenced stock prices and contributed to widening the spreads of sovereign countries in the Euro area.

Market dynamics were also affected by the rise in inflation, increases in raw materials and expectations for the central banks' monetary policy decisions; more recently, geopolitical instability, which unfortunately led to the conflict between Russia and Ukraine, caused strong volatility.

Analysing 2021 performance, markets in developed countries, especially the US and Europe, outperformed those in emerging markets.

Specifically, over the past year, Wall Street saw an increase of 20.21% for the Dow Jones index and 29.38% and 23.95% for the S&P500 and Nasdaq, respectively, thanks to strong gains in technology, financials, and consumer goods stocks.

On the European front, the Cac 40 index of the Paris Stock Exchange recorded an increase of 29.31% while the Ftse Mib index of the Milan Stock Exchange recorded an increase of 24.07%; more modest increases were recorded by the Dax in Frankfurt and the Ftse 100 in London, which stopped at +16.55% and +13.38% respectively. The stock exchanges of Vienna (+41.48%), Amsterdam (+27.29%) and Zurich (+23.58%) performed very well; the Euro Stoxx 50 index also rose by 21.02%, thanks to the finance, industrial goods and health sectors, among the most popular among investors. Positive performance of the Russian Stock Exchange (15.23%).

More restrained, in general, the rise of Asian stock exchanges: +9.07% Nikkei 225 index in Tokyo, +6.46% Shanghai Composite, +4.98% Shenzhen Szi. Conversely, the Hang Seng index in Hong Kong recorded a loss of 12%.

In India and Brazil, the Bse Sensex in Mumbai rose 22.24% while the Bovespa in Sao Paulo fell 10.4% due to the negative performance of the financial sector.

As for the euro, the single currency depreciated against the U.S. dollar on the back of the less expansive policy adopted in the United States compared with Europe and weakened slightly in nominal terms.

However, the scenario has changed profoundly as a result of the escalation of tensions between Russia and Ukraine.

The markets have reacted to the winds of war with strong volatility. In particular, American and Asian stock indices have experienced losses of 5-6% over the past month; the fall in European stock markets has been more significant (10-11%), given the interconnections with the Russian-speaking world, especially in certain sectors (such as banking) that are particularly exposed. Conversely, bond markets showed a slight upward trend (prices rose and rates fell) and spreads narrowed, in the hope of an accommodating policy by monetary authorities.

The dollar, as well as gold, strengthened further after the heavy sanctions imposed on Russian financial institutions and the restrictions on capital movements introduced by the Soviet authorities, which intervened by raising interest rates very sharply (from 9% to 20%) in an attempt to support the ruble on the currency markets and curb inflation. All this after the Russian stock exchange fell violently and was closed down and the shares of the main Russian companies recorded very heavy losses.

ECONOMIC PERFORMANCE IN THE ITALIAN REPUBLIC

The Italian economy in 2021 quickly recovered ground, reaching levels very close to pre-pandemic levels ahead of Germany but slightly behind France and the Euro area.

GDP growth is estimated at 6.3%, thanks to the strong recovery recorded in the summer months as a result of the expansion of household consumption. On the other hand, the increase in contagious diseases and supply difficulties related to the finding of certain raw materials negatively affected growth in the last quarter of the year.

The dynamics of investments was particularly robust, driven by the component related to plants and machinery and, mainly, by the construction sector, thanks also to the substantial government incentives on the residential sector. However, the aforementioned supply difficulties, the resurgence of the pandemic, the increase in energy costs and geopolitical tensions suggest less favourable conditions for investments in the near future.

As concerns private debt, businesses have seen their exposure progressively reduced, for all size classes, partly as a result of liquidity set aside during the crisis, while loans to households recorded a robust expansion in November, thanks to mortgage contracts for house purchases which offset the fall in consumer credit.

Italian exports in the reporting period strengthened as a result of the recovery of international trade and tourism flows as well as improved price competitiveness, catching up with the pre-crisis levels reached by the Euro area. Similarly, imports also increased significantly, due to both domestic demand and inventory requirements.

Employment is recovering even though market conditions, after a marked improvement in the spring, weakened in the third quarter. Employment increased by 0.7% in 2021, although the number of people in employment is still 1.2% below pre-pandemic levels. In particular, the achievement of pre-pandemic levels concerned employees, especially fixed-term workers, and the youth and female component of employment, while the recovery of self-employment was only partial.

The use of wage supplementation instruments showed a negative trend, more marked in the summer months, especially for the "COVID-19" cause. On the redundancies front, the data did not show any particular increase compared to the annual average, except for the measures to ease the blockades.

Against moderate wage dynamics, 2021 was characterised by marked price increases that led consumer inflation to reach an annual average of 1.9%. This is the highest value recorded since 2012, although lower than that of the Euro area, which stands at 2.6%.

The national consumer price index, in January 2022, recorded a strong trend growth (+4.8%), as a result of increases in energy goods and food as well as recreational and cultural services and personal care.

The European Next Generation EU (NGEU) programme is part of this economic context; a programme which, as pointed out by Prime Minister Mario Draghi in the introduction to the National Recovery and Resilience Plan, represents an opportunity for Italy to "resume a path of sustainable and lasting economic growth" aimed at "modernising its public administration, strengthening its productive system and intensifying its efforts to combat poverty, social exclusion and inequality".

Italy, in fact, will be able to benefit from the Recovery and Resilience Facility (RRF) and the Recovery Assistance Package for Cohesion and European Territories (REACT-EU), the main instruments of the NGEU. In particular, it will be able to access RRF loans totalling €122.6 billion (partly non-repayable). To this end, the Italian Government has prepared the National Recovery and Resilience Plan (NRRP), which constitutes a package of investments and reforms, divided into 6 Missions (digitalisation, innovation, competitiveness, culture, tourism; green revolution and ecological transition; infrastructure for sustainable mobility; education and research; inclusion and cohesion; health)

Year 2021

and 16 Components. As for reforms, this Plan provides for the implementation of the reform of public administration and justice, the simplification of legislation and the promotion of competition.

The estimates of the Italian Government refer to a significant impact of NRRP investments on the main macroeconomic variables. More precisely: +3.6% of GDP compared to the trend at the end of the plan (2026), an increase in employment of 3.2% in the last three years of implementation (2024-2026) and marked improvements in indicators measuring regional gaps, youth employment and female employment.

However, these estimates will necessarily have to be reassessed in the light of inflationary effects and the impact of the ongoing conflict on the global economy.

ECONOMIC PERFORMANCE IN THE REPUBLIC OF SAN MARINO

The San Marino economy has shown exceptional resilience, despite the overlapping of the significant impact of the COVID-19 pandemic on the pre-existing critical issues. The San Marino system, as also attested by the International Bodies, withstood the shock, which involved all the world's economies, much better than could have been expected, thanks to the prevention measures, to an effective vaccination campaign and to the targeted support measures in favour of individuals and economic operators affected by the pandemic.

In particular, the support provided by the Government in this difficult contingency - which has seen the traditional sectors of tourism and retail trade particularly hard hit - was considered appropriate by analysts from the International Monetary Fund, who attested that the package of policies adopted (expansion of the CIG, moratoria and extension of tax deadlines) were fundamental in avoiding bankruptcies, collective redundancies and maintaining confidence in the system.

This was made possible also thanks to the resources deriving from the placement of the first San Marino government bond on foreign markets; the operation, which was particularly appreciated by the market, was concluded in February 2021 with the placement of a three-year bond worth €340 million at a rate of 3.25%. In addition, the country was able to count on the extension, until the end of March 2022, of the liquidity line approved by the Governing Council of the ECB to support San Marino financial institutions in the presence of possible market disruptions due to the emergency period.

The analysts of the Monetary Fund have forecast economic growth of 5.5% for 2021 and 3.7% for the current year for our country, driven by exports, imports and domestic consumption which - in parallel with tax revenues and employment - have returned to pre-pandemic levels already in the final months of 2021. In the wake of the consolidation of the recovery, IMF experts renewed their call for the Executive to continue consolidating the banking system and to focus on structural reforms to strengthen the fiscal position and bring public debt on a downward trajectory as well as to stimulate growth in the long term. Determined, to this end, will be the reform of pensions and of the IGR, as well as the transition to the VAT regime, the streamlining of public spending and all the measures functional to the improvement of the business environment, also to allow San Marino to become more attractive for institutional investors.

In order to provide a snapshot of the economy of San Marino, the main indicators are briefly reviewed.

The number of companies operating in the territory registers a positive balance of 121 units, increasing from 4,836 in 2020 to 4,957 in 2021, as well as the number of employees in the private sector, which in 2021 will be 16,578 employees, an increase of 331 compared to 2020.

Against this trend, the number of employees in the public sector decreased by 22 to 3,666 workers, as well as the number of self-employed workers, which decreased from 1,745 in 2020 to 1,625 in 2021.

Year 2021

The balance of frontier workers increased from 6,211 in 2020 to 6,302 in 2021. Also decreasing is the number of total unemployed people from 1,283 in 2020 to 1,072 in 2021.

As regards social safety nets, the available data describe an encouraging outlook, given that both those relating to the Cassa Integrazione Guadagni (CIG) and to the Indennità Economica Speciale (IES) show a significant decrease with respect to the end of 2020. In particular:

- as of September 2021, 1,876 companies had resorted to the CIG, mainly for reasons related to the reduction of activity due to the COVID-19, for a total of 687,849 hours requested and a number of workers involved of 13,280; at the end of 2020, there were 7,726 companies that had resorted to the CIG, for a total of 2,898,041 hours requested and 39,539 workers involved;
- as of December 2021, there were 526 workers affected by staff reductions or company terminations placed in mobility status who benefited from IES, compared to 2,759 in December 2020.

Regarding inflation, which had remained close to zero in the year 2020, there was an acceleration in the January - November 2021 period, with an increase of 1.9% in the price index, mainly related to the increase in energy products, food and tobacco.

THE SAN MARINO FINANCIAL SYSTEM

The San Marino financial system as of 31 December 2021 was composed of 11 entities authorised under the laws of San Marino; in particular: 4 banks, 3 management companies, 2 insurance companies, 1 finance company and 1 payment institution.

Compared to the previous year, the figure showed a decrease of one unit due to the closure of the resolution procedure of Banca Nazionale Sammarinese and the consequent revocation of the authorisation to carry out reserved activities for this bank, which subsequently changed its name to Società di Gestione degli Attivi ex BNS SpA.

In addition, as a result of the completion of the administrative procedure, CBSM, at the end of November 2021, authorized a foreign financial company based in the European Union to provide payment services in the territory under the provision of services without establishment.

As regards to the performance of the sector, the aggregate data processed by the Associazione Bancaria Sammarinese (ABS) show a renewed confidence of depositors in the banking system, which in 2021 will see the consolidation of the positive trend recorded by total deposits and its components. In particular, total deposits as of 31/12/2021 amounted to €5,515 million, registering an increase on an annual basis of 5.88%, equal to €306 million.

In terms of direct deposits, the year-on-year increase was 5.66%, equal to €194 million, while indirect deposits showed a positive balance of €113 million, or 6.31%.

Of note is the progression in the course of 2021 of the management of securities assets, which rose from €320 million in December 2020 to €381 million in December 2021, an increase of 19.09%.

The trend in loans is unchanged, with a negative trend also in 2021. In fact, on the basis of performance data processed by ABS, as of 31/12/2021 gross loans to customers stood at €2,175 million, down by 4.41% compared to 31/12/2020, while the ratio of gross loans to savings went from 66.57% in 2020 to 60.19% in 2021.

On the Non-Performing Loans (NPL) front, statistics processed by the Central Bank for the third quarter of 2021 report gross doubtful loans totalling €1,347 million, of which €559 million of non-performing loans, with a coverage ratio on doubtful loans of 64%.

However, it is necessary to highlight that during 2021 a significant step forward was recorded in the resolution of the

Year 2021

critical issues related to NPLs, which have been urged for some time by the International Bodies, due to their impact on the general data of the system and on the economy of San Marino.

More specifically, we refer to the enactment of Law no. 154 of 27 August 2021 "Provisions on civil procedure and law" and Law no. 157 of 30 August 2021 "Measures and instruments for the securitisation of receivables". In particular, by means of Law 154/2021 the recovery procedures were made more efficient by:

- the introduction of a positive regulation of the so-called "marcian pact" and of the so-called "simplified revocatory action" for free distractive acts;
- updating of the rules on "documentary summary proceedings" and "judicial mortgage";
- the provision that pensions in excess of certain minimum thresholds may be attached;
- a simplification of the procedure for the sale of enforced assets and their direct assignment to the creditor;
- simplification of the procedures for returning leased property to the owner in cases of tenant arrears.

On the other hand, Law 157/2021 positively regulated the securitisation institution in the San Marino legal system, making a distinction between general securitisation regulations (inspired by the contents of Italian Law 130/1999 and subsequent amendments and integrations) and special securitisation regulations for the system of banking assets, which provide for the following:

- the intervention of the SPV and the system servicer (identified by law in the IGRC being set up) as well as a joint arranger;
- the possibility of securitising NPLs, performing loans as well as financial instruments and tangible assets originating from debt collection or extraordinary transactions, obtaining their deconsolidation from the financial statements;
- the establishment of an escrow account by each originator to cover any losses;
- the issuance of three tranches of ABS - senior, mezzanine and junior - with the possibility of a public guarantee/insurance cover for the first tranches and the retrocession of the last tranches in partial payment of the assets sold by the originators with repayment only as a last resort.

As for net equity (including the reserve for general banking risks), the aggregate figure as of 30/09/2021, which can be inferred from the CBSM Information Bulletin III Quarterly, stood at €248 million, compared to 269 million as of 31/12/2020, confirming the continuous erosion of the capital of San Marino banks in recent years.

Also, with regard to this delicate aspect, the Authorities of San Marino, together with the system, have been working to find functional solutions to increase the capital levels, with a view to the progressive implementation of the recommendations formulated by the supranational Organisations and the international parameters, continuing the restructuring of the financial system in order to increase efficiency and profitability. In particular, mention should be made of the issue of the perpetual bond of €455 million issued to cover CRSM's past losses and the early repayment of a €94 million bond by the government, which made it possible to restore the bank's liquidity to adequate levels.

THE REFERENCE LEGISLATION INTRODUCED IN 2021

The most significant regulatory interventions issued in 2021 which having an impact on the banking and financial sector of San Marino are reported below:

Primary legislation

Regulation no.19 of 30 December 2021

ISS Pension Management Fund

Delegated Decree no.211 of 24 December 2021

Financial provisions transposing Regulations - (EU) 648/2012, 909/2014, 2015/2365 and 2016/1011

Year 2021

Delegated Decree no.212 of 24 December 2021

Method of reimbursement of amounts to the trustees of S.M.I. S.P.A. – Annex A

Law no. 207 of 22 December 2021 - Article No. 7

Estimates of the State and Public Entities for the financial year 2022 and 2022-2024 Multi-year Budgets (Article 7 - Simplification of final fulfilments of compulsory administrative liquidations)

Delegated Decree no.199 of 14 December 2021

Definition of the maximum spread and nominal rate to be applied until September 30, 2022 to loans assisted by the State contribution referred to in Law no. 44 of 31/03/2015 and subsequent amendments

Delegated Decree no.193 of 30 November 2021

Provisions on fraud and counterfeiting of non-cash payment instruments transposing Directive (EU) 2019/713

Law no.183 of 29 October 2021

Change to the State budget and of the Enlarged Public Sector entities for the 2021 financial year

Delegated Decree no.175 of 14 October 2021

Amendments to Law no 101 of 29 July 2013 in transposition of Council Regulation (EU) 2015/159, B.C.E. Decisions (EU) 2019/2195 and 2020/2090 and B.C.E. Guideline (EU) 2020/2091.

Law no. 157 of 30 August 2021

Measures and instruments for credit securitisation

Law no. 154 of 27 August 2021

Provisions on civil law and procedure

Decree Law no. 133 of 19 July 2021 (Ratification of Decree Law no. 118 of 25 June 2021)

Urgent measures on San Marino financial system

Delegated Decree no. 111 of 23 June 2021

Rules on safekeeping of virtual assets

Delegated Decree no.87 of 10 May 2021

Rules on the custody of virtual assets and related ratification measure

Delegated Decree no.51 of 11 March 2021

Definition of the maximum spread and nominal rate to be applied until 30 September 2021 to loans assisted by the State contribution referred to in Law no. 44 of 31/03/2015 and subsequent amendments

Delegated Decree no.23 of 19 February 2021

Issue of Government Debt Securities of the Republic of San Marino, fixed rate 3.25%, 24 February 2024

Moreover, within the framework of the measures connected with the health emergency caused by COVID-19, further measures have been issued, containing support measures in favour of the families and enterprises of San Marino, in addition to several other measures containing compulsory measures functional to the containment of the virus and aimed at regulating the movement of persons, which have considerably affected the business organization of the economic operators of the country.

CBSM Secondary Legislation

Regulation 2021-03

Regulations for the custody service of virtual assets by banks

Year 2021

Regulation 2021-02

Regulation on austerity procedures for financial undertakings

Regulation 2021-01

Miscellany of targeted revisions to existing supervisory regulations

Circular 2021-TS-4

Publication of threshold rates for the purposes of anti-usury in force during the period of application 1 OCTOBER 2021 - 31 DECEMBER 2021

Circular 2021-TS-3

Publication of threshold rates for anti-usury purposes in force during the period of application 1 JULY 2021 - 30 SEPTEMBER 2021

Circular 2021-TS2

Publication of threshold rates for anti-usury purposes in force during the period of application 1 APRIL 2021 - 30 JUNE 2021

Circular 2021-TS1

Publication of threshold rates for the purposes of anti-usury in force in the period of application 1 JANUARY 2021 - 31 MARCH 2021

Circular 2021-01

Time of entry for finality of transfer orders in San Marino systems

FIA In-depth documents

On 12 August 2021, the Financial Intelligence Agency published a background paper titled "COVID-19: Changes in the ML-TF Risk Landscape."

BANCA SAMMARINESE DI INVESTIMENTO

THE INTERNAL CONTROL SYSTEM

The Bank adopts its own system of internal controls, defined as a set of rules, procedures and organisational structure, designed to ensure that activities are based on sound and prudent management and effective risk management, to ensure compliance with corporate strategies and the achievement of effective and efficient business processes, the safeguarding of assets, the reliability and integrity of accounting and management information, the compliance of transactions with the law, the articles of association, supervisory regulations and the Bank's self-regulatory provisions.

The control system has three levels:

- line controls (first level), aimed at ensuring the correct performance of operations. They are carried out by the operating structures themselves (e.g., hierarchical controls) or incorporated into procedures, or performed as part of back-office activities;
- controls on risk management and compliance (second level), which have the objective of verifying compliance with the limits assigned to the various operational functions, to check the compliance of company operations with the regulations, including those of self-regulation. They are entrusted to specific functions, in order to guarantee the separation between operational and control functions;
- internal audit activity (third level), which aims to assess the functionality of the overall internal control system and identify anomalous trends, violations of procedures and regulations.

Internal Auditing performs third-level control activities, conducted on an ongoing, periodic or exception basis, with the aim of identifying anomalous trends, violations of procedures and regulations, as well as assessing the completeness, functionality and adequacy of the internal control system and bringing possible improvements to risk management policies, measurement tools and procedures to the attention of the Board of Directors and General Management.

The Risk Manager is responsible for risk controls, understood as second-level controls aimed at contributing to the definition of risk measurement methods, verifying compliance with the limits assigned to the various operating structures, and checking the consistency of the operations of the individual production areas with the risk-return objectives assigned. It supports General Management and the Board of Directors in the planning phase of strategies, in order to assess the level of risks present in the activities performed and the potential risks associated with future decisions. It monitors risk levels, reporting to General Management any deviations from the limits established by the Board of Directors.

The Compliance Officer carries out continuous compliance audits, aimed at verifying the compliance of the activities carried out with the applicable provisions. He assists and trains employees, management and the Board of Directors in complying with the applicable legal, statutory, supervisory and self-regulatory requirements.

The person in charge of the function of preventing and combating money laundering and terrorist financing verifies compliance with the regulations on preventing and combating money laundering and terrorist financing and interfaces with the Financial Intelligence Agency.

EXPOSURE TO RISKS

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

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

The risks identified are:

Credit and counterparty risk

Credit risk is defined as the risk that, in the course of a credit transaction, the debtor may default, even partially, on its obligations to repay principal and/or pay interest to its creditor. The definition of credit risk also includes the risk of downgrading of the debtor, i.e., the possibility that the creditworthiness of a counterparty turns out to be lower than originally estimated by the creditor.

The methods of managing and monitoring this risk are governed by the Credit Regulations. This document defines the Bank's lending policies and describes the guidelines for lending, the organisation of the lending process, the functions involved and the related risks. More specifically, with regard to strategic limits, the document describes their definition, the level allowed, the methods of monitoring and management of any overruns.

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

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

Market and exchange rate risk

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

In order to adequately manage and monitor this type of risk, in line with the level of available capital, the Bank has set out the policies for carrying out the financial activities of treasury and securities portfolio management in its Finance Regulations. The document sets out the structure of the finance process, the functions involved, the types of risk involved, the rules for valuing securities in the proprietary portfolio, the strategic limits and the related control methods.

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

Interest rate risk - banking portfolio

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

Year 2021

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

Liquidity risk

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

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

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

Operational risk

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

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

MANAGEMENT PERFORMANCE

Last year the Bank achieved and exceeded the objectives set by the three-year development plan (for the years 2021/2023) drawn up in collaboration with the consulting firm Prometeia and approved in January 2021, continuing to strengthen its presence on the domestic market.

The 2021 final balance is to be considered extremely positive, also because it was achieved in a period still strongly marked by the health emergency for COVID-19.

To cope with the epidemiological risk, the Bank adopted all the preventive measures and complied with the measures set forth by the health authorities.

The albeit ambitious targets set by the 2021 business plan were largely exceeded in terms of deposits (both in terms of volume and quality) and new customers.

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

Despite this negative economic situation, BSI continued to support the economic operators and families of San Marino, also in support of the extraordinary initiatives promoted by the Government of San Marino to support the economic activities of the territory, such as the extension of the moratorium on the repayment of principal on various types of loans disbursed over the years to companies and individuals.

The Private Banking sector, relating to banking and financial services provided to high standing customers, remains a central 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.

Year 2021

We recall that our Bank was the first institution in the San Marino market to issue its own credit cards. We believe that the decision taken in the past to manage the credit card service in complete autonomy, gave more than positive feedback and allowed a good return on the company's image. Today, the structure handles all issuing and acquiring activities, as well as the placement of revolving cards.

Let us briefly review the major events of 2021 that affected the Bank.

The structure was heavily involved in the migration activity to the new information system, which was formally launched in the summer of 2020. This activity, which is of fundamental strategic importance, will be the focus of the greatest commitment of all staff in the coming months, given the deadline for the transition to the new management system, set at the end of 2022.

The company supplying the new information system is Enterprise Spa of Rome. Since the beginning of the collaboration, a team of 8 - 10 units is permanently present at our headquarters in Rovereta, in addition to the staff employed remotely.

In these months, and even more so as the deadline approaches, a considerable commitment will be required of the bank's structure, in terms of human resources and time, to support all the activities of analysis, development and testing of all the management functions.

It should be noted that during the first half of 2021, the Bank adhered to the option referred to in the letter of the Central Bank of the Republic of San Marino Prot. no. 20/13417 of 22/12/2020, which allowed the transfer of securities from the investment portfolio to the trading portfolio or the early sale of the same, taking into account the exceptional circumstances caused by the spread of the COVID-19 pandemic.

These transactions generated net extraordinary income of €2,444,333, which was set aside, in accordance with the provisions of CBSM, for the sole purpose of increasing share capital.

As of 31/12/2021, the Bank's workforce increased by 3 employees compared to the previous year to 56, despite the resignation of 4 employees at the end of last year.

Therefore, retracing what happened during 2021, in January the resources previously in service under the transfer agreement signed in September 2019 were hired, on a permanent basis, as "secondments" from Banca Nazionale Sammarinese (5 units). During the year, given the increase in volumes and number of customers and also to make up for the aforementioned resignations, 7 employees were hired, all from San Marino and for the most part already with previous experience at other San Marino banks.

As of 31/12/2021, the workforce was distributed as follows: 26 employees in the sales network and 30 employees in the management offices.

The average age of the staff is 39 years, while the gender distribution is: 62% male staff and 38% female staff (substantially unchanged from the past).

48% of the employees have either a bachelor's degree or a graduate degree.

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

In compliance with current legislation, the Bank has set up the Risk Committee and the Anti-Money Laundering Committee, collegial bodies with interfunctional liaison functions, created with the aim of supporting the General Management and the heads of the relevant Organisational Units in interpreting the phenomena connected with the current and potential risks that characterise the Bank's performance, with a view to the conscious assumption of risk and the definition of the most appropriate management lines.

Year 2021

The Internal Audit function remains outsourced to PKF Italia S.p.A.

As far as staff training is concerned, it should be noted that the health emergency made it extremely difficult to hold face-to-face meetings, resulting in a delay in the planned educational initiatives. Despite the objective difficulties, a number of training activities were carried out, mainly online, including a refresher course for the insurance sector held over several sessions throughout the year and followed by the Head of Service and a refresher course on anti-money laundering held by SGR Compliance and attended by the Anti-Money laundering Officer.

Among the in-person courses, Associazione Bancaria Sammarinese organised a training course dedicated to risk management in February, which was attended by the Risk Manager.

In addition to the courses held by external speakers, in-house training activities were carried out for all the bank's employees on the subject of anti-money laundering, investment products and the functions of the information system.

The bank's top management, together with the members of the Board of Directors and the Board of Statutory Auditors, took part in two in-person events organised by Associazione Bancaria Sammarinese in cooperation with Banca Centrale on 26 October and 30 November, as part of a broader "training course for company representatives and top management" which will include a number of training days in the first part of 2022.

As every year, the Trustee Manager and the qualified colleagues attended the technical refresher course for the maintenance of the qualification, organized for 2021 by the Academy of Trust of the Republic of San Marino.

The main statement of asset and liabilities as well as profit and loss account figures are shown below.

Total deposits at the end of 2021 amounted to € 1,188,036,783 of which € 676,587,141 of direct deposits and € 511,449,642 of indirect deposits. Compared to the previous year, this figure shows an increase of over €160 million (+15.53%).

As far as the Bank's treasury is concerned, there was liquidity as of 31/12/2021:

- a) €202,670,056 deriving from interbank deposits (on demand and term) and foreign currency deposits;
- b) €341,388,100 deriving from debt securities, and to an almost insignificant extent from equity securities, divided among various issuers; in particular, the trading portfolio amounts to €106,317,794, while investment securities amount to €235,070,306.

The trading portfolio includes units in the Odisseo NPL Fund for a countervalue of €10,516,268, acquired following the sale of Banca CIS assets.

The total treasury therefore amounts to €544,058,156, an increase of over €93 million compared to 31/12/2020.

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

On the lending side, the 2021 financial year saw an increase in loans to ordinary customers, which amounted to € 175,564,775 at the end of the year (+4.90% compared to 2020) before value adjustments and including finance leases. The bank continues to pursue a policy of granting credit with the aim of fractioning it, both in terms of the number of positions entrusted and the technical forms used.

As regards non-performing loans (NPLs), as of 31 December 2021 there were gross non-performing loans of € 10,692,475 with value adjustments of € 6,614,529, gross substandard loans of € 1,313,070 with value adjustments of € 277,233, restructured loans of € 2,614,269, with value adjustments of € 205,450, as well as past-due accounts/overdue of € 346,734, with value adjustments of € 17,337, and unsecured loans to at-risk countries of € 9,757, with value adjustments of €49.

As a result, non-performing loans under management amount to € 14,976,305 (-5.61 compared to 2020) with a coverage ratio of 47.51 (last year it was 41.86%).

We point out that most of the aforementioned credits are related to mortgage transactions, leasing or in any case have privileged titles; situations that allowed us to contain loss forecasts. The dynamics of doubtful loans to

Year 2021

customers is adequately explained in the specific tables in the explanatory notes to the financial statements.

There were no changes with regard to the equity investments held by the Bank. The Bank holds a small interest in the capital of Banca Centrale della Repubblica di San Marino Spa (1%) and a 10% interest in the share capital of Tenuta Santa Chiara Srl, a real estate company incorporated under San Marino law.

The balance sheet ratios include the ratio of net loans to direct deposits of 24.80%, the ratio of net non-performing loans to net loans of 2.43%, the ratio of net equity to net loans of 29.16%, the cost/income ratio of 40.07% and the R.O.E. ratio of 19.72%.

The Bank's net equity as of 31/12/2021, including the provision for general financial risks, amounted to €48,922,754.

Regulatory capital, as determined in accordance with the instructions of the Supervisory Authority, amounts to € 41,400,473. The Bank has adequate capital to cover potential risks, with a total capital ratio of 17.58%, well above the regulatory minimums (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 net interest income which rose from € 9,760,653 in 2020 to € 11,216,097 (+14.91%); net commissions which rose from € 2,805,894 in 2020 to € 4,657,899 (+66%) largely due to the development of the "asset management" segment, which has always been the bank's focus.

The profit for 2021 is € 8,057,281, net of € 1,261,839 in adjustments to loans, € 1,250,000 in adjustments to financial assets and € 100,000 in provisions for risks and charges.

The fund for general financial risks remained unchanged and amounted to €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 can be likened to an equity reserve, it represents a positive component of the basic regulatory capital.

The economic result achieved is extremely satisfying and significant, representing the highest point reached by the Bank in its history.

RECLASSIFIED STATEMENT OF ASSETS AND LIABILITIES

ASSETS	31/12/2021	Impact	31/12/2020	Impact
Inter-bank loans	202.670.056	26,70%	169.235.492	25,94%
Customer loans	134.199.750	17,68%	127.646.814	19,56%
Debt and capital securities	341.388.100	44,98%	281.771.038	43,18%
Leased assets	33.592.580	4,43%	32.451.708	4,97%
AF INTEREST-BEARING ASSETS	711.850.486	93,78%	611.105.052	93,66%
Cash and cash equivalents	6.808.130	0,90%	2.666.642	0,41%
Holdings	819.348	0,11%	819.348	0,13%
Other assets	28.711.590	3,78%	25.298.440	3,88%
Accrued revenues and deferred expenses	750.334	0,10%	1.002.949	0,15%
ANF NON-INTEREST-BEARING ASSETS	37.089.402	4,89%	29.787.379	4,57%
Intangible fixed assets	1.788.374	0,24%	1.508.360	0,23%
Tangible fixed assets	8.325.725	1,10%	10.078.583	1,54%
AR REAL ASSETS	10.114.099	1,33%	11.586.943	1,78%
TOTAL ASSETS	759.053.987		652.479.374	

LIABILITIES	31/12/2021	Impact	31/12/2020	Impact
Debts with banks	736.704	0,10%	2.861.805	0,44%
Debts with customers	544.449.879	71,73%	428.637.067	65,69%
Debts represented by securities	131.493.604	17,32%	147.666.029	22,63%
PO BEARING LIABILITIES	676.680.187	89,15%	579.164.901	88,76%
Other liabilities	30.810.918	4,06%	27.465.179	4,21%
Accrued expenses and deferred revenues	148.585	0,02%	139.225	0,02%
Staff retirement allowances	305.026	0,04%	292.001	0,04%
Risks and costs fund	2.186.517	0,29%	2.052.595	0,31%
PNO NON-BEARING LIABILITIES	33.451.046	4,41%	29.949.000	4,59%
Fund for general financial risks	5.000.000	0,66%	5.000.000	0,77%
Corporate capital	21.500.000	2,83%	21.500.000	3,30%
Reserves / Revaluation Reserve	14.365.473	1,89%	11.617.966	1,78%
Profits (Losses) for the financial year	8.057.281	1,06%	5.247.507	0,80%
PAT ASSETS	48.922.754	6,45%	43.365.473	6,65%
TOTAL LIABILITIES	759.053.987		652.479.374	

RECLASSIFIED PROFIT AND LOSS ACCOUNT

	PROFIT AND LOSS ACCOUNT	31/12/2021	Var.	31/12/2020
	Interests received and proceeds	13.176.728	7,68%	12.237.139
	Interests paid and costs	(1.960.631)	(20,83%)	(2.476.486)
MI	INTEREST MARGIN	11.216.097	14,91%	9.760.653
	Commissions earned	6.216.188	50,30%	4.135.768
	Commissions paid	(1.558.289)	17,18%	(1.329.874)
CN	NET COMMISSIONS	4.657.899	66,00%	2.805.894
	Dividends and other proceeds	-	-	-
	Profits (Losses) from financial operations	(313.566)	(113,27%)	2.362.229
MINT	INTERMEDIATION MARGIN	15.560.430	4,23%	14.928.776
	Administrative costs	(6.207.898)	(1,14%)	(6.279.404)
	Value adjustments on intangible fixed assets	(319.066)	(3,38%)	(330.228)
	Value adjustments on tangible fixed assets	(8.401.237)	33,93%	(6.272.918)
	Other operating proceeds/costs	8.693.007	34,65%	6.456.104
CO	OPERATING COSTS	(6.235.194)	(2,98%)	(6.426.446)
RG	GROSS OPERATING PROFIT	9.325.236	9,68%	8.502.330
	Funding of risk provisions	(100.000)	(90,00%)	(1.000.000)
	Value adjustments on credits	(1.261.839)	33,40%	(945.897)
	Value adjustments on financial activities	(1.250.000)	-	-
	Extraordinary proceeds/costs	2.258.528	(608,21%)	(444.410)
	Variation to the fund for general banking risks	-	-	-
RL	PROFIT FOR THE FINANCIAL YEAR	8.971.925	46,79%	6.112.023
	Financial taxes	(914.644)	5,80%	(864.516)
RN	PROFIT FOR THE FINANCIAL YEAR	8.057.281	53,54%	5.247.507

HIGHLIGHTS AND INDICATORS

Key balance sheet figures (in EUR)

	31/12/2021	31/12/2020	31/12/2019	31/12/2018
Total assets	759.053.987	652.479.374	626.323.420	503.605.222
Net lending	167.792.330	160.098.522	148.836.756	133.470.717
Net non-performing loans	7.861.707	9.224.162	11.622.941	11.002.642
Provision for adjustments on doubtful loans	7.772.445	7.273.345	6.842.911	6.233.222
Direct collection	676.587.141	577.186.026	553.498.661	434.928.532
Indirect collection:	511.449.642	451.186.428	253.639.499	274.706.585
- Operated	249.650.112	212.737.792	151.844.350	175.219.933
- Managed	235.722.539	210.237.702	101.795.149	99.486.652
- Custodian Bank	26.076.991	28.210.934	-	-
Net equity	48.922.754	43.365.473	38.873.351	32.132.352

Main economic data (in EUR)

	31/12/2021	31/12/2020	31/12/2019	31/12/2018
Interest margin	11.216.097	9.760.653	8.451.111	9.983.133
Intermediation margin	15.560.430	14.928.776	13.263.839	5.941.523
Administrative costs	6.207.898	6.279.404	6.034.679	5.729.058
Personnel costs	3.987.362	4.262.503	4.007.126	3.933.542
Operating costs	6.235.194	6.426.446	6.092.969	5.750.365
Profit for the financial year	8.057.281	5.247.507	4.741.000	811.578

Main structural and operational highlights

	31/12/2021	31/12/2020	31/12/2019	31/12/2018
Number of employees	56	53	48	50
Counters	6	6	6	6

Structural ratios (%)

	31/12/2021	var.	31/12/2020	var.	31/12/2019	var.	31/12/2018
Direct collection / Total assets	89,14	0,68	88,46	0,09	88,37	2,02	86,36
Net lending / Total assets	22,11	(2,43)	24,54	0,78	23,76	(2,74)	26,50
Net lending / Direct collection	24,80	(2,94)	27,74	0,85	26,89	(3,80)	30,69
Managed collection / Indirect collection	48,81	1,66	47,15	12,72	59,87	(3,91)	63,78
Operated collection / Indirect collection	46,09	(0,51)	46,60	6,47	40,13	3,91	36,22
Net equity / Total assets	6,45	(0,20)	6,65	0,44	6,21	(0,17)	6,38
Net equity / Net lending	29,16	2,07	27,09	0,97	26,12	2,05	24,07

Indicators of the quality of credit (%)

	31/12/2021	var.	31/12/2020	var.	31/12/2019	var.	31/12/2018
Net NPLs / Net lending	2,43	(0,90)	3,33	1,17	4,50	1,18	3,32
Net problem loans / Net lending	0,62	(0,01)	0,63	0,97	1,60	(1,06)	2,66
Net doubtful credits / Net lending	4,69	(1,07)	5,76	2,05	7,81	(0,43)	8,24
Net NPLs / Net equity	8,34	(3,96)	12,30	4,93	17,23	3,46	13,77

Profitability ratios (%)

	31/12/2021	var.	31/12/2020	var.	31/12/2019	var.	31/12/2018
Interest margin / Intermediation margin	72,08	6,70	65,38	1,66	63,72	(104,30)	168,02
Interest margin / Interest-bearing assets	1,58	(0,02)	1,60	0,16	1,44	(0,69)	2,13
Intermediation margin / Interest-bearing assets	2,19	(0,25)	2,44	0,19	2,25	0,98	1,27
Administrative costs / Intermediation margin	39,90	(2,16)	42,06	3,44	45,50	(50,92)	96,42
Cost / Income [cost/income]	40,07	(2,98)	43,05	2,89	45,94	(50,84)	96,78
Net profit / (Net equity – Net profit) [R.O.E.]	19,72	5,95	13,77	0,12	13,89	11,30	2,59
Net profit / Total assets [R.O.A.]	1,06	0,26	0,80	0,04	0,76	0,60	0,16

Efficiency ratios (in thousands of EUR)

	31/12/2021	var.	31/12/2020	var.	31/12/2019	var.	31/12/2018
Total deposits per employee	21.215	1.812	19.403	2.588	16.815	2.624	14.193
Net loans per employee	2.996	(25)	3.021	80	3.101	432	2.669
Intermediation margin per employee	278	(4)	282	6	276	157	119
Average personnel costs	71	(9)	80	3	83	4	79
Total operating costs per employee	111	(10)	121	6	127	12	115

STATEMENT OF CASH FLOW

	2021	2020
Cash and cash equivalents at the beginning of the financial year	2.666.642	2.671.535
Funds generated and collected	20.696.387	14.982.269
Profit for the financial year	8.057.281	5.247.507
Value adjustments on:	11.232.142	7.549.043
- Tangible and intangible fixed assets	8.720.303	6.603.146
- Financial assets	1.250.000	-
- Customer loans	1.261.839	945.897
Provisions for:	1.406.964	2.185.719
- Severance pay	307.631	320.168
- Risks and charges	1.099.333	1.865.551
Increase in funds collected	119.167.911	28.399.062
Debts with banks	115.812.812	28.357.349
Other liabilities	3.345.739	-
Accrued expenses and deferred revenues	9.360	41.713
Decrease in funds used	252.615	17.714.747
Bonds, shares, quotas and other financial instruments	-	17.272.783
Accrued revenues and deferred expenses	252.615	441.964
Total funds generated and collected	140.116.913	61.096.078
Use of funds generated from management operations	3.760.017	2.445.482
Distributed profit	2.500.000	1.500.000
Provisions for:	1.260.017	945.482
- Severance pay	294.606	341.181
- Risks and charges	965.411	604.301
Increase in funds collected	113.917.882	50.680.023
Inter-bank loans	33.434.564	28.457.296
Customer loans	7.814.775	11.403.864
Bonds, shares, quotas and other financial instruments	60.867.062	-
Tangible and intangible fixed assets	8.388.331	10.432.214
Other assets	3.413.150	386.649
Decrease in funds used	18.297.526	7.975.466
Debts with banks	2.125.101	2.572.243
Debts represented by financial instruments	16.172.425	4.753.257
Other liabilities	-	649.966
Total funds used and invested	135.975.425	61.100.971
Cash and cash equivalents at the end of the financial year	6.808.130	2.666.642

SUBSEQUENT EVENTS

To date, there have been no events occurring after 31 December 2021 that would make the current balance sheet, financial position and results of operations materially different from those shown in these financial statements or such as to require adjustments or additions to the financial statements.

The current Russian-Ukrainian conflict is generating uncertainty and volatility in the financial sector in particular. In this regard, the possibility of the Supervisory Authority intervening, as it has in the past, with interventions aimed at protecting the stability of the system cannot be ruled out.

The Bank carried out a careful review of the risks in place with respect to counterparties located in the countries involved in the conflict, without finding significant critical issues.

A careful monitoring of existing and potential customers is being carried out with the aim of complying with the sanctions introduced at European and San Marino level.

BUSINESS OUTLOOK

As in previous years, the Bank's activities will continue to be based on the development of volumes and prudent management. The growth trend of establishing relationships with new clients, which was a feature of the whole of 2021, is confirmed.

OTHER INFORMATION

The Company has no branches abroad.

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

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

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

PROPOSAL FOR THE ALLOCATION OF PROFITS

Dear shareholders,

in consideration of the above and of the results achieved, we invite you to approve these draft financial statements as at and for the year ended 31/12/2021, consisting of the financial statements, the explanatory notes to the financial statements and related annexes as well as management report, as presented by the Board of Directors, both in their entirety and in their individual entries. We therefore propose that you allocate the profit of €8,057,281.22 for the year as follows:

- allocation to the Legal Reserve of €1,611,456.24;
- allocation to Reserve ex Art. 63 paragraph 6 Law 166/2013 for an amount equal to €329,031.56;
- allocation to Reserve in accordance with the provisions of the CBSM letter Prot. no. 20/13417 of 22/12/2020 and subsequent correspondences with the exclusive purpose of increasing the share capital equal to €2,444,333.49;
- distribution of part of the profit of €3,200,000.00 to the shareholders in proportion to their respective shareholdings;
- allocation of a portion of net profit equal to €400,000.00 to a special optional reserve, available and distributable, "earmarked" exclusively for the benefit of the managing shareholders of BSI S.p.A. in proportion to their respective holdings;
- allocation to the item "Other reserves" of the remainder of the profit equal to €72,459.93.

The Chairman of the Board of Directors

Rovereta, on 23 March 2022

In implementation of the provisions of art. 83, paragraph 3, of Law no. 47 of 23 February 2006, as amended by art. 3 (deposit at the registered office) of Delegated Decree no. 19 of 28 January 2019, the undersigned legal representative certifies that these financial statements, with the explanatory notes, as of 19 April 2022 will be deposited at the registered office of Banca Sammarinese di Investimento S.p.A. with the right of shareholders to view them and to obtain a copy from the directors. Therefore, from that date, the period of 20 clear days preceding approval of the financial statements by the shareholders' meeting, as provided for by the aforementioned Article 83 of Law 47/2006 (as amended and supplemented), shall begin.

The Chairman of the Board of Directors

FINANCIAL STATEMENTS

BALANCE SHEET - ASSETS

	31/12/2021	31/12/2020
10 Cash in hand and at central banks and postal authorities	6.808.130	2.666.642
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:	202.670.056	169.235.492
a) sight credits	178.666.409	140.606.617
b) other credits	24.003.647	28.628.875
40 Customer loans:	134.199.750	127.646.814
a) sight credits	14.029.129	14.379.659
b) other credits	120.170.621	113.267.155
50 Bonds and other debt securities:	330.861.331	271.011.822
a) issued by public bodies	43.177.317	44.999.940
b) issued by banks	178.163.660	152.236.917
c) of financial undertakings other than credit institutions	42.945.798	30.441.953
d) issued by other bodies	66.574.556	43.333.012
60 Shares, quotas and other capital securities	10.526.769	10.759.216
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:	1.788.374	1.508.360
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	1.788.374	1.508.360
100 Tangible fixed assets:	41.918.305	42.530.291
a) leasing	33.491.939	32.230.166
of which assets to be leased	1.125.685	1.501.118
b) assets resulting from annulled lease contracts	100.641	221.542
of which for breach by tenant	100.641	221.542

Financial Statements

Year 2021



c) assets available from credit recovery	1.210.328	2.716.573
of which assets available for credit termination through settlement agreement	-	-
d) lands and buildings	6.659.876	6.784.615
e) other tangible fixed assets	455.521	577.395
110 Subscribed share capital not paid-in	-	-
of which called capital	-	-
120 Own shares and quotas	-	-
130 Other assets	28.711.590	25.298.440
140 Accrued revenues and deferred expenses:	750.334	1.002.949
a) accrued revenues	110.406	64.391
b) deferred expenses	639.928	938.558
150 Total Assets	759.053.987	652.479.374

BALANCE SHEET - LIABILITIES

	31/12/2021	31/12/2020
10 Debts with banks:	736.704	2.861.805
a) sight debts	736.704	398.868
b) term or notice debts	-	2.462.937
20 Debts with customers:	544.449.879	428.637.067
a) sight debts	420.883.345	354.021.719
b) term or notice debts	123.566.534	74.615.348
30 Debts represented by securities:	131.493.604	147.666.029
a) bonds	23.810.907	27.786.465
b) certificates of deposit	107.682.697	119.879.564
c) other securities	-	-
40 Other liabilities	30.810.918	27.465.179
of which outstanding cheques and similar securities	643.658	882.930
50 Accrued expenses and deferred revenues:	148.585	139.225
a) accrued expenses	59.274	57.701
b) deferred revenues	89.311	81.524
60 Staff retirement allowances	305.026	292.001
70 Risks and costs funds:	2.186.517	2.052.595
a) retirement and similar costs funds	-	-
b) tax funds	914.644	864.516
c) other funds	1.271.873	1.188.079
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:	13.620.859	10.873.352
a) ordinary or legal reserve	4.104.015	3.054.513
b) reserve for shares or own shares	-	-
c) statutory reserves	8.274.349	6.943.744
d) other reserves	1.242.495	875.095
140 Revaluation reserve	744.614	744.614
150 Profits (Losses) carried forward	-	-
160 Profits (Losses) for the financial year	8.057.281	5.247.507
170 Total Liabilities	759.053.987	652.479.374

BALANCE SHEET – GUARANTEES AND COMMITMENTS

	31/12/2021	31/12/2020
10 Guarantees issued	34.077.278	27.569.802
of which:		
a) acceptances	115.395	41.087
b) other guarantees	33.961.883	27.528.715
20 Commitments	25.172.802	37.582.209
of which:		
a) certain to be called on	4.456.337	16.981.071
of which financial instruments	-	299.596
b) not certain to be called on	3.626.183	3.027.319
of which financial instruments	-	-
c) other commitments	17.090.282	17.573.819
Total	59.250.080	65.152.011

PROFIT AND LOSS ACCOUNT

	31/12/2021	31/12/2020
10 Interests received and proceeds:	13.176.728	12.237.139
a) on loans to banks	(137.603)	(12.997)
b) on customer loans	5.582.594	5.532.410
c) on debt securities	7.731.737	6.717.726
20 Interests paid and costs:	(1.960.631)	(2.476.486)
a) on amounts due from banks	(280.553)	(286.825)
b) on debts with customers	(642.412)	(851.818)
c) on debts represented by securities	(1.037.666)	(1.337.843)
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	6.216.188	4.135.768
50 Commissions paid	(1.558.289)	(1.329.874)
60 Profits (Losses) from financial operations	(313.566)	2.362.229
70 Other operating proceeds	8.693.007	6.456.104
80 Other operating costs	-	-
90 Administrative costs:	(6.207.898)	(6.279.404)
a) labour costs	(3.987.362)	(4.262.503)
of which:		
- wages and salaries	(2.656.158)	(2.560.942)
- pension contributions	(830.606)	(903.072)
- retirement allowances	(307.631)	(320.167)
- severance indemnity-related costs	-	-
- administrators and mayors	(181.333)	(229.446)
- other personnel expenses	(11.634)	(248.876)
b) other administrative costs	(2.220.536)	(2.016.901)
100 Value adjustments on intangible fixed assets	(319.066)	(330.228)
110 Value adjustments on tangible fixed assets	(8.401.237)	(6.272.918)
120 Provisions for risks and costs	(100.000)	(1.000.000)
130 Provisions to allowances for possible loan losses	-	-
140 Value adjustments on credits and provisions for guarantees and commitments	(1.833.793)	(1.361.103)
150 Value recoveries on credits and provisions for guarantees and commitments	571.954	415.206
160 Value adjustments on financial assets	(1.250.000)	-
170 Value recoveries on financial assets	-	-
180 Profits (Losses) on ordinary activities	6.713.397	6.556.433
190 Extraordinary proceeds	2.993.861	122.553
200 Extraordinary costs	(735.333)	(566.963)
210 Extraordinary Profits (Losses)	2.258.528	(444.410)
220 Income tax for the financial year	(914.644)	(864.516)
230 Variation to the Fund for general banking risks	-	-
240 Profits (Losses) for the financial year	8.057.281	5.247.507

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

SECTION A – ACCOUNTING PRINCIPLES

The financial statements for the year ended as of 31/12/2021 were prepared in accordance with the provisions:

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

The financial statements consist of the Balance Sheet, Guarantees and Commitments, the Income Statement and the Explanatory Notes. They are integrated with the Directors' Report on Management, the 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 values were reclassified for the purposes of data comparability.

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

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

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

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

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

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

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

Section 1 – Illustration of accounting principles

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

Cash and cash equivalents

This item includes currencies with legal tender, including banknotes and foreign coins, money orders, bankers' orders and postal orders, as well as equated securities, coupons and on-demand securities. Included are also collectable coins and medals as well as gold, silver and stamped values.

Loans to credit institutions

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

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

Loans to customers

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

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

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

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

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

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

Specifically:

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

Year 2021

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

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

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

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

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

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

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

- *Restructured loans to ex Delta Group*: refer to all loans subject to the Delta Group restructuring agreement, pursuant to art. 182 bis of the Italian Bankruptcy Law. Taking into account the specific nature of the exposures in question (“Plusvalore Spa” and “Carifin Italia Spa”, both companies are in liquidation), these loans do not fall within any of the categories typified by Regulation no. 2007/07 and therefore a special category was created in the Explanatory Notes.

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

Bonds and other debt financial instruments

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

This item shows all the financial debt instruments in the bank’s portfolio, both long- and short-term, such as government securities, bonds, certificates of deposit and the other fixed or variable income financial instruments.

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

Shares, units and other capital financial instruments

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

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

Year 2021

on organized (regulated) markets, which represent “off balance sheet” transactions connected to the investment portfolio.

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

Trading portfolio

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

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

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

The losses and gains originating from the comparison between the market value on 31 December 2021 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.

Year 2021

Foreign currency assets and liabilities

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

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

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

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

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

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

Year 2021

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

Accruals and Deferrals

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

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

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

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.

Year 2021

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"

	31/12/2021	31/12/2020	Variations	
			Amount	%
Cash and cash equivalents with central banks and postal agencies:				
- Banknotes and coins	6.665.787	2.579.889	4.085.898	158,37%
- Foreign currency	139.834	85.333	54.501	63,87%
- Other	2.509	1.420	1.089	76,69%
Total	6.808.130	2.666.642	4.141.488	155,31%

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

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

Table 2.1

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

	31/12/2021	31/12/2020	Variations	
			Amount	%
A) Treasury securities and other similar financial instruments	-	-	-	-
B) Other financial instruments eligible for refinancing with central banks	-	-	-	-
Total	-	-	-	-

Table not valued as data not present.

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

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

	31/12/2021			31/12/2020			Variations	
	Euros	Foreign currency	Total	Euros	Foreign currency	Total	Amount	%
A) Sight credits	177.254.450	1.411.959	178.666.409	136.279.857	4.326.760	140.606.617	38.059.792	27,07%
A1. Current accounts for performed services	177.254.450	1.411.959	178.666.409	136.279.857	4.326.760	140.606.617	38.059.792	27,07%
A2. Current accounts	-	-	-	-	-	-	-	-
A3. Other	-	-	-	-	-	-	-	-
B) Other credits	23.003.296	1.000.351	24.003.647	27.707.327	921.548	28.628.875	(4.625.228)	(16,16%)
B1. Terms deposits	23.003.296	1.000.351	24.003.647	27.707.327	921.548	28.628.875	(4.625.228)	(16,16%)
B2. Current accounts	-	-	-	-	-	-	-	-
B3. Repos and reverse repos	-	-	-	-	-	-	-	-
B4. Other	-	-	-	-	-	-	-	-
Total	200.257.746	2.412.310	202.670.056	163.987.184	5.248.308	169.235.492	33.434.564	19,76%

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

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

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

Year 2021

Table 3.2
Composition of cash credits to banks

	31/12/2021			31/12/2020		
	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	202.670.056	-	202.670.056	169.235.492	-	169.235.492
of which deriving from financial leasing transactions	-	-	-	-	-	-
Total	202.670.056	-	202.670.056	169.235.492	-	169.235.492

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 31/12/2021	-	-	-	-	-
of which for past-due interests	-	-	-	-	-

Table not valued as data not present.

Year 2021

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 31/12/2021	-	-	-	-	-	-
of which for past-due interests	-	-	-	-	-	-

Table not valued as data not present.

Year 2021

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

	31/12/2021	31/12/2020
Sight	178.666.409	140.606.617
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	24.003.647	28.628.875
Total	202.670.056	169.235.492

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:

- the term deposits in the field of the Compulsory Reserve and the Guarantee Fund for Transmission in the amount of €22,038,343 and €118,046, respectively;
- the security deposits with Mastercard Europe and Visa Europe in the amount of €1,097,258;
- the deposit with Cassa Centrale Banca to cover transactions for fixed-rate risk on mortgages for €740,000;
- the security deposit with BFF Bank for the transmission of the INPS Pensions service for €10,000.

Year 2021

4. Customer loans (item 40 of assets)

Table 4.1
Composition of item 40 "Customer loans"

	31/12/2021			31/12/2020			Variations	
	Euros	Foreign currency	Total	Euros	Foreign currency	Total	Amount	%
A) Sight / Non-revolving loans	14.028.699	430	14.029.129	14.379.290	369	14.379.659	(350.530)	(2,44%)
A1. Current accounts	6.935.814	430	6.936.244	7.336.807	369	7.337.176	(400.932)	(5,46%)
A2. Other	7.092.885	-	7.092.885	7.042.483	-	7.042.483	50.402	0,72%
B) Other loans:	120.030.335	140.286	120.170.621	113.267.155	-	113.267.155	6.903.466	6,09%
B1. Current accounts	1.816.643	-	1.816.643	4.274.065	-	4.274.065	(2.457.422)	(57,50%)
B2. Discounted portfolio and subject to collection	9.037.925	-	9.037.925	7.368.116	-	7.368.116	1.669.809	22,66%
B3. Repos and reverse repos	-	-	-	-	-	-	-	-
B4. Other loans	109.175.767	140.286	109.316.053	101.624.974	-	101.624.974	7.691.079	7,57%
Total	134.059.034	140.716	134.199.750	127.646.445	369	127.646.814	6.552.936	5,13%

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

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

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

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

	31/12/2021	31/12/2020
Board of Directors	10.233	10.404
Control Body	53	9.585
Management Board	1.700	1.964
Total	11.986	21.953

Year 2021

Table 4.2
Secured customer loans

	31/12/2021	31/12/2020	Variations	
			Amount	%
A) From mortgages	62.514.221	54.720.486	7.793.735	14,24%
B) From pledges on:	39.401.674	35.041.114	4.360.560	12,44%
B1. Cash deposits	2.931.287	412.797	2.518.490	610,10%
B2. Securities	4.046.392	3.784.222	262.170	6,93%
B3. Other valuables	32.423.995	30.844.095	1.579.900	5,12%
C) From guarantees by:	29.643.750	31.510.442	(1.866.692)	(5,92%)
C1. Public administrations	6.638.304	5.747.403	890.901	15,50%
C2. Monetary financial institutions	249.512	-	249.512	-
C3. Investment funds other than money market funds	-	-	-	-
C4. Other financial companies	-	-	-	-
C5. Insurance companies	-	-	-	-
C6. Pension funds	-	-	-	-
C7. Non-financial companies	2.315.632	1.752.991	562.641	32,10%
C8. Households and non-profit institutions serving households:	20.440.302	24.010.048	(3.569.746)	(14,87%)
C8.1 Consumer and producer families	20.440.302	24.010.048	(3.569.746)	(14,87%)
C8.2 Non-profit institutions serving households	-	-	-	-
C9. Other	-	-	-	-
Total	131.559.645	121.272.042	10.287.603	8,48%

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.

Year 2021

Table 4.3
Composition of cash credits to customers

	31/12/2021			31/12/2020		
	Gross exposure	Overall total adjustments	Net exposure	Gross exposure	Overall total adjustments	Net exposure
A) Doubtful loans	14.976.305	7.114.598	7.861.707	15.865.671	6.641.509	9.224.162
of which from financial leases	790.894	407.698	383.196	847.685	399.066	448.619
A1. Non-performing loans	10.692.475	6.614.529	4.077.946	11.724.910	6.391.609	5.333.301
of which from financial leases	598.266	369.333	228.933	847.685	399.066	448.619
A2. Substandard loans	1.313.070	277.233	1.035.837	1.108.718	103.227	1.005.491
of which from financial leases	192.628	38.365	154.263	-	-	-
A3. Restructured loans	2.614.269	205.450	2.408.819	2.710.658	131.599	2.579.059
of which credits to ex Gruppo Delta	78.671	78.671	-	78.671	-	78.671
of which from financial leases	-	-	-	-	-	-
A4. Past due / overrun loans	346.734	17.337	329.397	299.269	14.963	284.306
of which from financial leases	-	-	-	-	-	-
A5. Unsecured loans to countries at risk	9.757	49	9.708	22.116	111	22.005
B) Performing loans	160.588.470	657.847	159.930.623	151.506.196	631.836	150.874.360
of which from financial leases	33.551.145	155.727	33.395.418	32.492.170	146.956	32.345.214
Total	175.564.775	7.772.445	167.792.330	167.371.867	7.273.345	160.098.522

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

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

Year 2021

Table 4.4
Changes in doubtful loans to customers

	Non-performing loans	Substandard loans	Restructured loans	Past due / overrun loans	Unsecured loans to countries at risk
A) Opening gross exposure	11.724.910	1.108.718	2.710.658	299.269	22.116
of which for past-due interests	536.378	4.286	29.881	215	-
B) Increases	248.534	829.762	2.797.119	1.272.023	189.821
B1. Inflow from performing loans	20.297	554.431	-	62.752	-
B2. Inputs from other categories of doubtful loans	77.880	1.946	-	-	-
B3. Past-due interests	119.607	5.895	16.652	120	-
B4. Other increases	30.750	267.490	2.780.467	1.209.151	189.821
C) Decreases	1.280.969	625.410	2.893.508	1.224.558	202.180
C1. Outflow to loans	-	58.098	-	84.966	-
C2. Outputs to other categories of doubtful loans	-	77.880	-	1.946	-
C3. Write-offs	390.816	-	-	-	-
C4. Collections	890.153	277.910	2.893.508	1.058.521	202.180
C5. Arising from sales	-	-	-	-	-
C6. Other decreases	-	211.522	-	79.125	-
D) Closing gross exposure at 31/12/2021	10.692.475	1.313.070	2.614.269	346.734	9.757
of which for past-due interests	602.571	4.541	46.533	30	-

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

Year 2021

Table 4.5
Changes in total value adjustments on customer loans

	Non-performing loans	Substandard loans	Restructured loans	Past due / overrun loans	Unsecured loans to countries at risk	Performing loans
A) Opening total adjustments	6.391.609	103.227	131.599	14.963	111	631.836
B) Increases:	980.685	221.054	79.901	16.188	6	197.051
B1. Value adjustments	970.368	218.641	79.901	14.825	5	178.858
of which for past-due interests	119.393	-	-	-	-	-
B2. Utilization of funds for possible loans	-	-	-	-	-	-
B3. Transfers from other categories of loans	10.317	2.413	-	1.363	1	18.193
B4. Other increases	-	-	-	-	-	-
C) Decreases:	757.765	47.048	6.050	13.814	68	171.040
C1. Value recoveries	13.790	24.267	6.050	8.042	68	165.633
of which for past-due interests	-	-	-	-	-	-
C2. Value recoveries from collection	353.159	-	-	-	-	-
of which for past-due interests	42.924	-	-	-	-	-
C3. Write-offs	390.816	-	-	-	-	1.673
C4. Transfers to other categories of loans	-	22.781	-	5.772	-	3.734
C5. Other decreases	-	-	-	-	-	-
D) Closing total adjustments at 31/12/2021	6.614.529	277.233	205.450	17.337	49	657.847
of which for past-due interests	602.571	-	-	-	-	-

This table shows the changes that occurred during the year in the amount of the total value adjustments on cash (including finance lease loans).

Table 4.6
Composition of "Customer loans" according to residual life

	31/12/2021	31/12/2020
Sight	11.647.634	14.287.603
Up to 3 months	16.623.373	16.719.696
From 3 months to 6 months	7.595.137	6.662.806
From 6 months to 1 year	12.079.867	9.684.430
From 1 year to 18 months	8.410.035	7.570.031
From 18 months to 2 years	8.509.870	8.283.079
From 2 years to 5 years	37.510.114	35.628.852
More than 5 years	61.263.056	55.773.371
No term	4.153.244	5.488.654
Total	167.792.330	160.098.522

The term "residual life" means the time interval between the date of the financial statements and the contractual

Year 2021

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

	31/12/2021	31/12/2020
A) Public administrations	2.833.725	3.538.105
B) Financial undertakings other than credit institutions	956.193	2.321.843
B1. Monetary financial institutions (other than credit institutions)	-	-
B2. Investment funds other than money market funds	-	-
B3. Other financial companies	956.193	2.321.843
B4. Insurance companies	-	-
B5. Pension funds	-	-
C) Non-financial companies	89.658.704	85.394.882
of which persons deleted from the Register of Authorized Entities	16	744
C1. Industry	48.149.767	45.569.536
C2. Building	2.007.181	2.414.579
C3. Services	39.457.864	37.396.458
C4. Other non-financial companies	43.892	14.309
D) Households and non-profit institutions serving households:	74.343.708	68.843.692
D1. Consumer families	74.197.895	68.677.517
D2. Non-profit institutions serving households	145.813	166.175
E) Other	-	-
Total	167.792.330	160.098.522

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

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

Table 5.1
Composition of investment and trading securities

	Investment	Trading
Bonds and other debt securities:	235.070.306	95.791.025
A) issued by public bodies	38.813.615	4.363.702
B) issued by banks	133.341.375	44.822.285
C) issued by financial institutions	30.570.229	12.375.569
D) issued by other bodies	32.345.087	34.229.469
Shares, quotas and other capital securities:	-	10.526.769
- Fondo Odisseo	-	10.516.268
- UCI	-	10.391
- Equities	-	110
Total	235.070.306	106.317.794
of which unavailable for repurchase agreements with retrocession obligation	66.354.629	12.720.240

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.

Year 2021

Table 5.2
Composition of "investment securities"

	31/12/2021			31/12/2020		
	Book Value	Market Value	Fair value	Book Value	Market Value	Fair value
1. Debt securities:	233.983.382	235.070.306	232.285.014	219.317.332	221.452.956	220.256.027
1.1 Bonds:	233.983.382	235.070.306	232.285.014	219.317.332	221.452.956	220.256.027
- Listed	140.766.939	141.433.104	140.629.342	162.375.480	164.112.165	164.787.177
- Unlisted	93.216.443	93.637.202	91.655.672	56.941.852	57.340.791	55.468.850
1.2 Other debt securities:	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Unlisted	-	-	-	-	-	-
2. Capital securities:	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Unlisted	-	-	-	-	-	-
Total	233.983.382	235.070.306	232.285.014	219.317.332	221.452.956	220.256.027

Investment securities are made up of bonds issued by sovereign states and banks for about 83%, while the remaining part is made up of bonds issued by private companies.

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

Year 2021

Table 5.3
Annual variations to investment securities

	31/12/2021	31/12/2020
Opening balance	221.452.956	197.295.324
Increases:	135.569.848	57.542.102
1. Purchases	131.538.992	15.797.045
of which debt securities	131.538.992	15.797.045
2. Value recoveries	-	-
3. Transfers from trading portfolio	-	40.127.016
4. Other variations	4.030.856	1.618.041
Decreases:	121.952.498	33.384.470
1. Sales	29.103.332	8.758.800
of which debt securities	29.103.332	8.758.800
2. Redemptions	79.264.631	23.067.195
3. Value adjustments	1.250.000	-
of which lasting devaluations	1.250.000	-
4. Transfers to trading portfolio	10.915.559	393
5. Other variations	1.418.976	1.558.082
Closing balance	235.070.306	221.452.956

The Bank, availing itself of the option granted by CBSM pursuant to letter Prot. no. 20/13417 dated 22/12/2020, did so during the 2021 financial year:

- the early sale of debt financial instruments from the investment portfolio for a nominal €27,350,000, realising profits of €1,512,937;
- the transfer of debt financial instruments from the investment portfolio to the unrestricted portfolio for a nominal amount of Euro 10,173,000, realising profits of Euro 1,039,664 and losses of Euro 108,268.

As required by the aforementioned provision of BCSM, at the time of approval of these financial statements, the Bank must allocate the sum of €2,444,333, corresponding to the net capital gains realised, to a capital reserve to be used exclusively to increase share capital.

Due to extraordinary events, i.e., the collapse in the rating of two investment securities, the Bank's Board of Directors also resolved to sell these securities in advance, also in several instalments, for a total nominal amount of €6,000,000; during the year, a total nominal amount of €2,000,000 was sold, realising a capital loss of €271,870, booked under "Extraordinary charges". Lastly, the Bank decided to write down these securities by a total of €1,250,000, reclassified under item "3. Value Adjustments".

Year 2021

Table 5.4
Composition of “trading securities”

	31/12/2021	31/12/2020
	Fair value	Fair value
1. Debt securities:	95.791.025	49.558.865
1.1 Bonds:	95.791.025	49.558.865
- Listed	80.554.292	41.453.576
- Unlisted	15.236.733	8.105.289
1.2 Other debt securities:	-	-
- Listed	-	-
- Unlisted	-	-
2. Capital securities:	10.526.769	10.759.217
- Listed	10.391	102.077
- Unlisted	10.516.378	10.657.140
Total	106.317.794	60.318.082

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 31/12/2021.

Table 5.5
Annual variations to “trading securities”

	31/12/2021	31/12/2020
Opening balance	60.318.082	101.748.497
Increases:	253.539.006	233.743.704
1. Purchases	241.224.642	229.497.966
of which debt securities	238.557.651	226.410.537
of which capital securities	2.666.991	3.087.429
2. Write backs and revaluations	368.466	1.677.145
3. Transfers from investment portfolio	10.915.559	393
4. Other variations	1.030.339	2.568.200
Decreases:	207.539.294	275.174.119
1. Sales and redemptions	206.358.510	231.437.471
of which debt securities	203.455.235	228.454.278
of which capital securities	2.903.275	2.983.193
2. Value adjustments and devaluations	1.038.173	1.929.469
3. Transfers to investment portfolio	-	40.127.016
4. Other variations	142.611	1.680.163
Closing balance	106.317.794	60.318.082

The valuation of trading securities is carried out based on the market value as at 31/12/2021. The effect of this method is represented in the item 1 “Writebacks and revaluations” and 2 “Value adjustments and writedowns” shown in the table.

Year 2021

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	56.343.023	-	1,00%	811.848		563.430	(248.418)
2. S.R.L. / Tenuta Santa Chiara / Strada di Paderna, 2 (San Marino)	Services	75.000	66.260	(8.739)	10,00%	7.500		6.626	(874)

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 2020 financial year.

Table 6.2
Composition of item 70 "Holdings"

	31/12/2021			31/12/2020		
	Purchase price	Book value	Fair value	Purchase price	Book value	Fair value
In banks	811.848	811.848		811.848	811.848	
- Listed	-	-		-	-	
- Unlisted	811.848	811.848		811.848	811.848	
In other financial companies	-	-		-	-	
- Listed	-	-		-	-	
- Unlisted	-	-		-	-	
Other	7.500	7.500		7.500	7.500	
- Listed	-	-		-	-	
- Unlisted	7.500	7.500		7.500	7.500	
Total	819.348	819.348		819.348	819.348	

Year 2021

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

	31/12/2021			31/12/2020		
	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"

	31/12/2021
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"

	31/12/2021
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 2021

Table 6.6
Assets and liabilities to holdings (item 70)

	31/12/2021
Assets:	194.971.718
- Loans to banks	194.349.217
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	622.501
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:	56.000
- Debts to banks	54.248
of which to related undertakings	-
- Debts to other companies	1.752
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	-

"Due from credit institutions" and "Due to credit institutions" comprise the balances of correspondence accounts and free and term deposits with the Central Bank of the Republic of San Marino.

The items "Due from other companies" and "Due to other companies" include, respectively, the residual debt related to a real estate leasing transaction and the balance of the current account held with the subsidiary Tenuta Santa Chiara.

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

	31/12/2021
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 2021

7. Intangible fixed assets (item 90 of assets)

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

	31/12/2021	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	1.508.360	-	-	-	-	-	-	-	-	1.508.360
B) Increases	599.080	-	-	-	-	-	-	-	-	599.080
B1. Purchases	599.080	-	-	-	-	-	-	-	-	599.080
B2. Value recoveries	-	-	-	-	-	-	-	-	-	-
of which for credit rating	-	-	-	-	-	-	-	-	-	-
B3. Revaluations	-	-	-	-	-	-	-	-	-	-
B4. Other variations	-	-	-	-	-	-	-	-	-	-
C) Decreases	319.066	-	-	-	-	-	-	-	-	319.066
C1. Sales	-	-	-	-	-	-	-	-	-	-
C2. Value adjustments	319.066	-	-	-	-	-	-	-	-	319.066
of which depreciations	319.066	-	-	-	-	-	-	-	-	319.066
of which lasting devaluations	-	-	-	-	-	-	-	-	-	-
of which for credit rating	-	-	-	-	-	-	-	-	-	-
C3. Other variations	-	-	-	-	-	-	-	-	-	-
D) Closing balance	1.788.374	-	-	-	-	-	-	-	-	1.788.374

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 €538,880.

Year 2021

Table 7.2
Description of item 90 "Intangible fixed assets"

	31/12/2021			31/12/2020		
	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	3.102.838	1.788.374	-	3.693.996	1.508.360	-
Total	3.102.838	1.788.374		3.693.996	1.508.360	

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

Year 2021

8. Tangible fixed assets (item 100 of assets)

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

	31/12/2021	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	42.530.291	32.230.166	1.501.118	221.542	221.542	2.716.573	-	6.784.615	577.395
B) Increases	14.164.574	14.078.954	2.479.181	-	-	-	-	40.894	44.726
B1. Purchases	11.565.575	11.520.849	-	-	-	-	-	-	44.726
B2. Value recoveries	1.887	1.887	1.887	-	-	-	-	-	-
of which for credit rating	1.887	1.887	1.887	-	-	-	-	-	-
B3. Revaluations	65.000	65.000	-	-	-	-	-	-	-
B4. Other variations	2.532.112	2.491.218	2.477.294	-	-	-	-	40.894	-
C) Decreases	14.776.560	12.817.181	2.854.614	120.901	120.901	1.506.245	-	165.633	166.600
C1. Sales	3.463.246	1.850.840	-	106.161	106.161	1.506.245	-	-	-
C2. Value adjustments	8.458.700	8.111.727	-	14.740	14.740	-	-	165.633	166.600
of which depreciations	8.401.237	8.069.004	-	-	-	-	-	165.633	166.600
of which lasting devaluations	-	-	-	-	-	-	-	-	-
of which for credit rating	57.463	42.723	-	14.740	14.740	-	-	-	-
C3. Other variations	2.854.614	2.854.614	2.854.614	-	-	-	-	-	-
D) Closing balance	41.918.305	33.491.939	1.125.685	100.641	100.641	1.210.328	-	6.659.876	455.521

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

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

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

Year 2021

Table 8.2
Description of item 100 "Intangible fixed assets"

	31/12/2021			31/12/2020		
	Purchase price / Production cost	Book value	Fair value	Purchase price / Production cost	Book value	Fair value
A) Financial lease	77.031.700	33.491.939		70.833.629	32.230.166	
of which assets to be leased	5.428.284	1.125.685		4.121.756	1.501.118	
B) Assets resulting from annulled lease contracts	251.602	100.641		357.763	221.542	
of which for breach by tenant	251.602	100.641		357.763	221.542	
C) Assets available from credit recovery	1.210.328	1.210.328		2.716.573	2.716.573	
of which assets available for credit termination through settlement agreement	-	-		-	-	
D) Lands and buildings	7.438.260	6.659.876		7.397.366	6.784.615	
E) Other tangible fixed assets	2.414.737	455.521		2.370.011	577.395	
Total	88.346.627	41.918.305		83.675.342	42.530.291	

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

Year 2021

Table 8.3
Assets available from credit recovery

	31/12/2021		31/12/2020	
	Book Value	Fair value	Book Value	Fair value
A) Assets available from credit recovery deriving from financial lease contracts:	1.210.328		2.716.573	
A1. Real estate	1.210.328		2.716.573	
of which for residential use	-		-	
of which for non-residential use	1.210.328		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	1.210.328		2.716.573	

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

	Total at 31/12/2021	of which leasing to credit institutions	of which leasing to customers
Leasing - Total	33.778.613	-	33.778.613
A) of which for rents overdue	186.033	-	186.033
B) of which residual capital credit	33.592.580	-	33.592.580
B1. Intangible fixed assets	-	-	-
- Financial lease	-	-	-
- Assets resulting from annulled lease contracts	-	-	-
B2. Tangible fixed assets	33.592.580	-	33.592.580
- Financial lease	33.491.939	-	33.491.939
- Assets resulting from annulled lease contracts	100.641	-	100.641

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

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

	31/12/2021	31/12/2020	Variations	
			Amount	%
Subscribed capital not paid in	-	-	-	-
of which called capital	-	-	-	-

Table not valued as data not present.

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

Table 10.1
Composition of social shares

	Number of shares	% on capital	Nominal value	Negotiation amount
Values at 31/12/2020	-	-	-	-
Purchases	-	-	-	-
Sales	-	-	-	-
Values at 31/12/2021	-	-	-	-
				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"

	31/12/2021	31/12/2020
Maintenance margins	-	-
Premiums paid for options	-	-
Others	28.711.590	25.298.440
of which other Debtors:	25.983.045	22.268.381
- Effects from SBF customers	12.813.186	11.076.615
- Effects after collection from customers	4.355.022	3.143.794
- Effects received from correspondent banks	3.971.272	3.127.168
- Illiquid effects	2.309.960	3.470.953
- Transitional accounts and items to be settled	1.137.948	557.922
- IGR advances and withholding of the Tax Office	1.044.257	568.029
- Loans to investee companies	351.400	323.900
of which Deferred tax assets:	-	337.982
- Law no. 150/2012 Art. 40	-	337.982
of which Other related accounting items:	60.915	60.915
- Foreign securities tax credit	60.915	60.915
of which Other:	2.667.630	2.631.162
- Tax credit Legislative Decree no. 72/2013	1.552.589	1.552.589
- Security deposit with Court	750.000	750.000
- Forward transactions	195.167	303.039
- Other items	169.874	25.534
Total	28.711.590	25.298.440

The item "Tax credit Decree Law 72/2013" for €1,552,589 refers to the loss recognised on the basis of the valuation at the NAV certified as of 31/12/2020 of Fondo Odisseo, a fund acquired following the bulk acquisition transaction of assets and liabilities of Banca Nazionale Sammarinese (former Banca CIS). In consideration of the contractual commitment undertaken by BNS and with the aim of sterilising the economic impact deriving from the recording of capital losses arising from the reduction in the NAV of the Fondo Odisseo, the San Marino banks notified the Asset Management Company formerly BNS S.p.A., through the ABS, of the recording of a receivable from the same for an amount corresponding to the capital losses recorded on the Fund in 2021. As of 31/12/2021, the receivable due from the Società di Gestione degli Attivi ex BNS S.p.A. amounted to €140,872 and is included in the table under "Other items".

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”

	31/12/2021	31/12/2020
Accrued revenues:	110.406	64.391
- Commissions and feeds on issuing/acquiring transactions	79.052	62.857
- Consumer credit practices	30.000	-
- Consumer credit practices	870	1.250
- Other items	484	284
Deferred expenses:	639.928	938.558
- AQR outcome value adjustments	371.197	742.393
- Insurance premiums	70.909	32.939
- Service benefits	55.799	-
- Commissions and feeds on issuing/acquiring transactions	54.137	56.293
- Network fees	37.372	26.375
- Rental expenses	22.138	23.537
- Central Risk Database contribution	15.434	30.867
- Other items	12.942	26.154
Total	750.334	1.002.949

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

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”

	31/12/2021			31/12/2020		
	Euros	Foreign currency	Total	Euros	Foreign currency	Total
A) Sight debts	736.704	-	736.704	398.868	-	398.868
A1. Overdrawn current accounts	682.456	-	682.456	398.320	-	398.320
A2. Demand deposits	54.248	-	54.248	548	-	548
A3. Other	-	-	-	-	-	-
B) Term or notice debts:	-	-	-	-	2.462.937	2.462.937
B1. Overdrawn current accounts	-	-	-	-	-	-
B2. Time deposits	-	-	-	-	2.462.937	2.462.937
B3. Repos and reverse repos	-	-	-	-	-	-
B4. Other loans	-	-	-	-	-	-
Total	736.704	-	736.704	398.868	2.462.937	2.861.805

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

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

	31/12/2021	31/12/2020
Sight	736.704	398.868
Up to 3 months	-	2.462.937
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	736.704	2.861.805

It should be noted that “residual life” means the time interval between the balance sheet date and the contractual

Year 2021

maturity date of each transaction.

14. Debts with customers (item 20 of liabilities)

Table 14.1
Description of item 20 "Debts with customers"

	31/12/2021			31/12/2020		
	Euros	Foreign currency	Total	Euros	Foreign currency	Total
A) Sight	413.695.950	7.187.395	420.883.345	347.741.140	6.280.579	354.021.719
A1. Overdrawn current accounts	412.192.237	7.187.395	419.379.632	346.273.351	6.280.579	352.553.930
A2. Sight savings deposits	467.056	-	467.056	432.051	-	432.051
A3. Other	1.036.657	-	1.036.657	1.035.738	-	1.035.738
B) Term or notice debts	123.566.534	-	123.566.534	74.615.348	-	74.615.348
B1. Term overdrawn current accounts	-	-	-	-	-	-
B2. Time saving deposits	-	-	-	-	-	-
B3. Repos and reverse repos	80.013.511	-	80.013.511	54.338.259	-	54.338.259
B4. Other funds	43.553.023	-	43.553.023	20.277.089	-	20.277.089
Total	537.262.484	7.187.395	544.449.879	422.356.488	6.280.579	428.637.067

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

	31/12/2021	31/12/2020
Sight	420.883.345	354.021.949
Up to 3 months	32.518.085	31.992.013
From 3 months to 6 months	42.527.123	37.279.284
From 6 months to 1 year	48.521.326	5.343.821
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	544.449.879	428.637.067

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

	31/12/2021			31/12/2020		
	Euros	Foreign currency	Total	Euros	Foreign currency	Total
Bonds	23.810.907	-	23.810.907	27.786.465	-	27.786.465
of which held by credit institutions	-	-	-	-	-	-
Certificates of deposit	107.682.697	-	107.682.697	119.879.564	-	119.879.564
of which held by credit institutions	-	-	-	-	-	-
Other financial instruments	-	-	-	-	-	-
of which acceptances traded	-	-	-	-	-	-
of which outstanding bills	-	-	-	-	-	-
of which atypical securities	-	-	-	-	-	-
Total	131.493.604	-	131.493.604	147.666.029	-	147.666.029

Year 2021

16. Other liabilities (item: 40 of liabilities)

Table 16.1
Composition of item 40 "Other liabilities"

	31/12/2021	31/12/2020
Maintenance margins	-	-
Premiums received for options	-	-
Cheques in circulation and similar securities	643.658	882.930
Other	30.167.260	26.582.249
of which other Creditors:	1.749.703	1.636.959
- Payables to suppliers	500.063	458.865
- Supplier invoices to be received	482.372	419.555
- Sums in favour of third parties	333.348	396.501
- Employees salary account	316.170	270.947
- Payables to I.S.S.	113.108	87.426
- Payables to F.S.S.	3.692	2.743
- Payables to trade union centres	950	922
of which Other:	28.417.557	24.945.290
- Transferor of SBF effects	18.038.062	16.566.491
- Transferors of after-collection effects	8.656.192	6.467.809
- Due to tax office	1.511.123	992.488
- Term transactions	189.725	280.091
- Transitional accounts and items to be settled	22.455	638.411
Total	30.810.918	27.465.179

Table 16.2
Payables for electronic money

	31/12/2021	31/12/2020
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"

	31/12/2021	31/12/2020
Accrued expenses:	59.274	57.701
- Employee supplementary remuneration	36.229	35.660
- Derivative contracts	12.167	13.084
- AGE taxes	9.955	-
- Directors' I.S.S. separate management	-	7.865
- Other items	923	1.092
Deferred revenues:	89.311	81.524
- Fees on endorsement loans	36.626	26.635
- Interest on consumer credit practices	27.409	31.500
- Safe deposit box fees	14.415	13.275
- Foreign documentary credit commissions	10.861	10.114
Total	148.585	139.225

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.

Year 2021

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

Table 18.1
Changes of item 60 "Staff retirement allowances"

	31/12/2021	31/12/2020
Opening balance	292.001	313.015
Increases:	307.631	320.167
- Provisions	307.631	320.167
- Other variations	-	-
Decreases:	294.606	341.181
- Utilization	294.606	341.181
- Other variations	-	-
Closing balance	305.026	292.001

As required by current legislation, the severance allowance is paid annually to the employees of the Bank. Therefore, the current balance coincides with the portion relating to the current year to be settled by 2022.

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

	31/12/2021	31/12/2020
Retirement and similar costs fund	-	-
Taxes and fees funds	914.644	864.516
Other funds:	1.271.873	1.188.079
- Provision for legal disputes	962.127	992.500
- Fund for paid and unused leave	214.210	150.043
- Provision for customer disputes	50.000	-
- Provisions for payment card dispute risks	45.536	45.536
Total	2.186.517	2.052.595

The "Provision for legal disputes" was set up 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. The "Provision for customer disputes" was established in the 2021 financial year to guard against the risks associated with customer findings and disputes.

Year 2021

Table 18.3
Changes of "Taxes and fees reserves"

	31/12/2021	31/12/2020
Opening balance	864.516	549.587
Increases:	914.644	864.516
- Provisions	914.644	864.516
- Other variations	-	-
Decreases:	864.516	549.587
- Uses	864.516	549.587
- Other variations	-	-
Closing balance	914.644	864.516

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"

	31/12/2021	31/12/2020
Opening balance	1.188.079	241.758
Increases:	184.689	1.001.034
- Provisions	184.689	1.001.034
- Other variations	-	-
Decreases:	100.895	54.713
- Uses	100.895	54.713
- Other variations	-	-
Closing balance	1.271.873	1.188.079

The item "Provisions" includes provisions made during the year as follows: "Provision for unused leave" of €84.689 and establishment of the "Provision for customer disputes" of €100.000.

The item "Uses" consists of the uses made during the year of the provisions for risks and charges, as follows

- use of the "Provision for unused holidays" for €20,522;
- use of the "Provision for legal disputes" following receipt of invoices for fees of € 30,373;
- use of the "Provision for customer disputes" for € 50,000.

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

	31/12/2021	31/12/2020
Opening balance	-	-
Increases:	-	-
- Provisions	-	-
- Other variations	-	-
Decreases:	-	-
- Uses	-	-
- 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"

	31/12/2021	31/12/2020	Variations	
			Amount	%
Opening balance	5.000.000	5.000.000	-	-
Contributions in the year	-	-	-	-
Uses in the year	-	-	-	-
Closing balance	5.000.000	5.000.000	-	-

Table 19.2
Composition of item 100 "Subordinated liabilities"

	31/12/2021	31/12/2020	Variations	
			Amount	%
Subordinated liabilities	-	-	-	-
of which held by credit institutions	-	-	-	-
of which hybrid capitalization instruments	-	-	-	-

Table not valued as data not present.

Table 19.3
Composition of item 110 "Corporate capital"

	31/12/2021			31/12/2020			Variations	
	Number of shares	Nominal value	Total value	Number of shares	Nominal value	Total value	Amount	%
Ordinary	21.500	1.000	21.500.000	21.500	1.000	21.500.000	-	-
Total	21.500	1.000	21.500.000	21.500	1.000	21.500.000	-	-

Year 2021

Table 19.4
Composition of item 120 "Issue premiums"

	31/12/2021	31/12/2020	Variations	
			Amount	%
Issue premiums	-	-	-	-

Table not valued as data not present.

Table 19.5
Composition of item 130 "Reserves"

	31/12/2021	31/12/2020	Variations	
			Amount	%
A) Ordinary or legal reserve	4.104.015	3.054.513	1.049.502	34,36%
B) Reserve for shares or own shares	-	-	-	-
C) Statutory reserves	8.274.349	6.943.744	1.330.605	19,16%
D) Other reserves	1.242.495	875.095	367.400	41,98%
Total	13.620.859	10.873.352	2.747.507	25,27%

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 €992,495 and the registered reserve set up at the time of allocation of the 2020 financial year net income amounting to €250,000 not yet distributed.

Table 19.6
Composition of item 140 "Revaluation reserve"

	31/12/2021	31/12/2020	Variations	
			Amount	%
Revaluation reserve	744.614	744.614	-	-

The "Revaluation reserve" refers to 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 with sworn appraisal by a San Marino professional.

Year 2021

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

			Variations	
	31/12/2021	31/12/2020	Amount	%
Profits (Losses) carried forward	-	-	-	-

Table not valued as data not present.

Table 19.8
Composition of item 160 "Profit (Loss) for the financial year"

			Variations	
	31/12/2021	31/12/2020	Amount	%
Profit (Loss) for the financial year	8.057.281	5.247.507	2.809.774	53,54%

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

	31/12/2021	31/12/2020	31/12/2019	31/12/2018
Corporate capital	21.500.000	21.500.000	21.500.000	21.500.000
Uncalled capital	-	-	-	-
Issue premiums	-	-	-	-
Ordinary or legal reserve	4.104.015	3.054.513	2.106.313	1.943.998
Other reserves	9.516.844	7.818.839	5.526.038	4.876.776
Operating result	8.057.281	5.247.507	4.741.000	811.578
Profits (Losses) carried forward	-	-	-	-
Fund for general financial risks	5.000.000	5.000.000	5.000.000	3.000.000
Revaluation reserve	744.614	744.614	-	-
Total	48.922.754	43.365.473	38.873.351	32.132.352

Table 19.10
Composition of Savings Collection by business sector

	31/12/2021	31/12/2020
A) Public administrations	111.641.670	68.306.456
B) Financial companies other than credit institutions:	14.326.903	10.491.783
B1. Monetary financial institutions (other than credit institutions)	-	-
B2. Investment funds other than money market funds	6.617.111	6.307.521
B3. Other financial companies	7.672.852	3.844.740
B4. Insurance companies	36.940	339.522
B5. Pension funds	-	-
C) Non-financial companies:	140.639.033	128.242.252
of which persons deleted from the Register of Authorized Entities	1.222.845	802.282
C1. Industry	57.402.977	65.791.471
C2. Building	2.551.398	2.142.015
C3. Services	77.354.946	57.426.167
C4. Other non-financial companies	3.329.712	2.882.599
D) Households and non-profit institutions serving households	409.979.535	370.145.535
D1. Consumer families	393.813.302	353.971.226
D2. Non-profit institutions serving households	16.166.233	16.174.309
E) Other	-	-
Total	676.587.141	577.186.026

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

20. Guarantees and commitments

Table 20.1
Composition of “guarantees issued”

	31/12/2021	31/12/2020	Variations	
			Amount	%
A) Endorsement credits of a trade nature	7.825.271	5.205.992	2.619.279	50,31%
B) Endorsement credits of a financial nature	2.161.942	1.989.480	172.462	8,67%
C) Assets set up as collateral	24.090.065	20.374.330	3.715.735	18,24%
- of third party bonds	1.204.000	1.204.000	-	-
- of own bonds	22.886.065	19.170.330	3.715.735	19,38%
Total	34.077.278	27.569.802	6.507.476	23,60%

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

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

- BFF Bank (€1,664,025) for the use of transmission services for the payment system;
- Cassa Centrale Banca (€16,453,790) and Banca Popolare di Sondrio (€4,768,250) 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.

Year 2021

Table 20.2
Composition of the abovementioned unsecured loans

			Variations	
			Amount	%
A) Credit commitments of a trade nature	31/12/2021	31/12/2020	2.619.279	50,31%
A1. Acceptances	115.395	41.087	74.308	180,86%
A2. Guarantees and endorsements	4.313.880	5.164.905	(851.025)	(16,48%)
A3. Strong comfort letter	-	-	-	-
A4. Other	3.395.996	-	3.395.996	-
B) Credit commitments of a financial nature	2.161.942	1.989.480	172.462	8,67%
B1. Acceptances	-	-	-	-
B2. Guarantees and endorsements	2.161.942	1.989.480	172.462	8,67%
B3. Strong comfort letter	-	-	-	-
B4. Other	-	-	-	-
Total	9.987.213	7.195.472	2.791.741	38,80%

Table 20.3
Situation of unsecured loans to credit institutions

	31/12/2021			31/12/2020		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A) Doubtful loans	-	-	-	-	-	-
of which non-performing loans	-	-	-	-	-	-
of which substandard loans	-	-	-	-	-	-
of which restructured loans	-	-	-	-	-	-
of which expired / overdue loans	-	-	-	-	-	-
of which unsecured loans to countries at risk	-	-	-	-	-	-
B) Performing loans	-	-	-	-	-	-
Total	-	-	-	-	-	-

Table not valued as data not present.

Year 2021

Table 20.4
Situation of unsecured loans to customers

	31/12/2021			31/12/2020		
	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	9.987.213	-	9.987.213	7.195.472	-	7.195.472
Total	9.987.213	-	9.987.213	7.195.472	-	7.195.472

Table 20.5
Loan guarantees to assume the debts

Liabilities	Amounts of guarantee assets
Payables to banks	22.886.065

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

Table 20.6
Margin loans on credit lines

	31/12/2021	31/12/2020
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”

	31/12/2021	31/12/2020	Variations	
			Amount	%
A) Commitments to grant finance certain to be called on	-	-	-	-
of which commitments for financing to be granted	-	-	-	-
B) Commitments to exchange financial instruments certain to be called on	-	-	-	-
C) Commitments to grant finance not certain to be called on	3.626.183	3.027.319	598.864	19,78%
of which passive margins usable on credit lines	3.626.183	3.027.319	598.864	19,78%
of which put option issued	-	-	-	-
D) Commitments to exchange financial instruments not certain to be called on	-	-	-	-
E) Other commitments	-	-	-	-
Total	3.626.183	3.027.319	598.864	19,78%

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

Year 2021

Table 20.8
Forward commitments

	Coverage	Negotiation	Other transactions
1. Trades	2.223.000	2.233.337	-
1.1 Financial instruments	-	-	-
- purchases	-	-	-
- sales	-	-	-
1.2 Currencies	2.223.000	2.233.337	-
- currency against currency	-	-	-
- purchases against EUR	1.601.000	624.932	-
- sales against EUR	622.000	1.608.405	-
2. Deposits and loans	-	-	-
- to be given	-	-	-
- to be received	-	-	-
3. Derivative contracts	17.090.282	-	-
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	17.090.282	-	-
a) Currencies	-	-	-
- currency against currency	-	-	-
- purchases against EUR	-	-	-
- sales against EUR	-	-	-
b) Other values	17.090.282	-	-
- purchases	17.090.282	-	-
- 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 2021

Table 20.9
Derivatives

Operation category	Coverage	Negotiation	Other transactions
1. Derivative contracts	(559.942)	-	-
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	(559.942)	-	-
a) Currencies	-	-	-
- currency against currency	-	-	-
- purchases against EUR	-	-	-
- sales against EUR	-	-	-
b) Other values	(559.942)	-	-
- purchases	(559.942)	-	-
- 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

	31/12/2021	31/12/2020
1. Asset management	284.133.023	248.433.777
a) Customer asset management	284.133.023	248.433.777
of which cash	34.482.911	35.695.985
of which cash deposited at the reporting institution	34.482.911	35.695.985
of which debt securities	224.850.406	199.935.226
of which debt securities issued by the reporting institution	-	-
of which debt securities issued by other San Marino credit institutions	-	-
of which capital securities and OIC shares	24.799.706	12.802.566
of which capital securities issued by the reporting institution	-	-
b) Portfolios managed by third parties	-	-
2. Custody and administration of financial instruments	586.823.564	508.436.097
a) Deposited third parties securities	259.426.539	237.915.702
of which debt securities issued by the reporting institution	23.704.000	27.678.000
of which debt securities issued by other San Marino credit institutions	285.000	38.584.460
of which capital securities and other values issued by the reporting institution	19.418.000	19.418.000
of which third-party financial instruments deposited with third parties	187.581.005	161.499.985
b) Owned securities deposit with third parties	327.397.025	270.520.395
3. Financial instruments, liquid assets and other assets related to custodian bank activity:	61.217.854	65.246.300
a) Cash	6.617.111	5.982.852
of which cash deposited by the reporting institution	6.617.111	5.982.852
b) Debt securities	26.076.991	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	28.523.752	31.052.514

The item “2.a) Third party financial instruments held in deposit - of which financial and other own issue securities” also includes a part of own shares for a value of € 19.418.000.

The item “3. Financial instruments, cash and cash equivalents and other amounts related to depository bank activities” include the assets associated with the Odisseo, Loan Management and Arte Moderna investment funds

Year 2021

managed by Scudo Investimenti SG Spadi, for which our Bank has been the depository bank since December 2020. The decrease in the item "of which debt securities issued by other credit institutions of San Marino" is due to the cancellation from the Register of Authorised Entities on 15/07/2021 of Banca Nazionale Sammarinese SpA (now Asset Management Company ex BNS SpA).

Table 21.2
Mediation for third parties: execution of orders

	31/12/2021	31/12/2020
A) Purchases	69.619.072	90.290.334
of which purchases not settled at the reference date	-	144.324
B) Sales	52.723.420	59.774.819
of which sales not settled at the reference date	-	-

Table 21.3
Composition of Indirect Deposits by economic activity sector

	31/12/2021	31/12/2020
A) Public administrations	4.423.824	3.207.340
B) Financial companies	77.751.063	136.240.450
B1. Monetary financial institutions	32.308.956	52.316.984
B2. Investment funds other than money market funds	26.076.991	28.210.935
B3. Other financial institutions	19.365.116	55.712.531
B4. Insurance companies	-	-
B5. Pension funds	-	-
C) Non-financial companies	74.290.459	30.027.089
of which persons deleted from the Register of Authorized Entities	6.247.836	1.007.013
C1. Industry	21.249.410	17.528.512
C2. Building	59.480	18.000
C3. Services	51.849.990	11.231.840
C4. Other non-financial companies	1.131.579	1.248.737
D) Households and non-profit institutions serving households	354.984.296	281.711.549
D1. Consumer families	352.163.749	280.196.681
D2. Non-profit institutions serving households	2.820.547	1.514.868
E) Other	-	-
Total	511.449.642	451.186.428

Table 21.4
Trust activity

	31/12/2021	31/12/2020
1. Transferable assets	78.782.927	83.102.370
1.1 financial instruments	75.963.198	75.728.772
1.2 liquid assets	2.819.729	7.373.598
2. Company holdings	-	-
2.1 units or shares of joint-stock companies	-	-
2.2 shareholders' loans	-	-
2.3 liquid assets	-	-
3. Loans to third parties	-	-
3.1 financial instruments	-	-
3.2 liquid assets	-	-
4. Other movable or intangible assets	-	-
4.1 movable or intangible assets	-	-
4.2 liquid assets	-	-
5. Total of trust activity	78.782.927	83.102.370
5.1 of which total liquid assets	2.819.729	7.373.598

Table 21.5
Assets held when acting as trustee

	31/12/2021	31/12/2020
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"

	31/12/2021	31/12/2020	Variations	
			Amount	%
A) On Treasury securities and other financial instruments eligible for refinancing with central banks	-	-	-	-
A1. Treasury Securities and other similar financial instruments	-	-	-	-
A2. Other financial instruments eligible for refinancing with central banks	-	-	-	-
B) On inter-bank loans	(137.603)	(12.997)	(124.606)	958,73%
B1. Current accounts	(138.802)	(12.997)	(125.805)	967,95%
B2. Deposits	-	-	-	-
B3. Other loans	1.199	-	1.199	-
of which on financial leases	-	-	-	-
C) On customer loans	5.582.594	5.532.410	50.184	0,91%
C1. Current accounts	555.463	808.494	(253.031)	(31,30%)
C2. Deposits	-	-	-	-
C3. Other loans	5.027.131	4.723.916	303.215	6,42%
of which on financial leases	1.141.138	1.138.945	2.193	0,19%
D) On debt securities from banks	4.150.003	4.057.990	92.013	2,27%
D1. Certificates of deposit	-	-	-	-
D2. Bonds	4.150.003	4.057.990	92.013	2,27%
D3. Other financial instruments	-	-	-	-
E) On financial debt instruments from customers (issued by other issuers)	3.581.734	2.659.736	921.998	34,67%
E1. Bonds	3.581.734	2.659.736	921.998	34,67%
E2. Other financial instruments	-	-	-	-
Total	13.176.728	12.237.139	939.589	7,68%

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

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

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

	31/12/2021	31/12/2020	Variations	
			Amount	%
A) On debts with banks	280.553	286.825	(6.272)	(2,19%)
A1. Current accounts overdrafts	54.616	45.414	9.202	20,26%
A2. Deposits	11.151	46.158	(35.007)	(75,84%)
A3. Other debts	214.786	195.253	19.533	10,00%
B) On debts with customers	642.412	851.818	(209.406)	(24,58%)
B1. Current accounts overdrafts	242.220	537.964	(295.744)	(54,97%)
B2. Deposits	68.146	4.477	63.669	1422,14%
B3. Other debts	332.046	309.377	22.669	7,33%
C) On debts represented by securities with banks	-	-	-	-
of which on certificates of deposit	-	-	-	-
D) On debts represented by securities with customers	1.037.666	1.337.843	(300.177)	(22,44%)
of which on certificates of deposit	815.199	702.446	112.753	16,05%
E) On subordinated liabilities	-	-	-	-
of which on hybrid capitalization instruments	-	-	-	-
Total	1.960.631	2.476.486	(515.855)	(20,83%)

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

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

	31/12/2021	31/12/2020	Variations	
			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 2021

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

Table 24.1
Composition of item 40 "Commissions earned"

	31/12/2021	31/12/2020	Variations	
			Amount	%
A) Guarantees issued	110.440	56.689	53.751	94,82%
B) Credit derivatives	-	-	-	-
C) Investment services:	3.903.810	2.337.775	1.566.035	66,99%
C1. receipt and transmission of orders (let. D 1 enc.1 LISF)	456.808	457.080	(272)	(0,06%)
C2. execution of orders (let. D2 enc.1 LISF)	581.733	268.326	313.407	116,80%
C3. management of securities portfolio (let. D4 enc.1 LISF)	2.865.269	1.612.369	1.252.900	77,71%
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:	68.279	51.760	16.519	31,91%
E1. asset management	-	-	-	-
E2. insurance products	68.279	51.760	16.519	31,91%
E3. other services or products	-	-	-	-
F) Collection and payment services	1.258.836	950.284	308.552	32,47%
G) Custodian bank services	43.818	-	43.818	-
H) Securities custody and management	83.433	69.052	14.381	20,83%
I) Trust services	3.000	3.500	(500)	(14,29%)
L) Operation of tax services and treasury	-	-	-	-
M) Currency transactions	59.978	64.578	(4.600)	(7,12%)
N) Commissions for collective management services (letters E and F, Annex 1 LISF)	-	-	-	-
O) Electronic money	58.515	63.420	(4.905)	(7,73%)
P) Issuance/management of credit/debit cards	285.591	277.918	7.673	2,76%
Q) Other services	340.488	260.792	79.696	30,56%
Total	6.216.188	4.135.768	2.080.420	50,30%

Year 2021

Table 24.2
Composition of item 5 "Commissions paid"

	31/12/2021	31/12/2020	Variations	
			Amount	%
A) Guarantees received	-	6.780	(6.780)	(100,00%)
B) Credit derivatives	-	-	-	-
C) Investment services:	378.499	345.252	33.247	9,63%
C1. receipt and transmission of orders (let. D 1 enc.1 LISF)	-	-	-	-
C2. execution of orders (let. D2 enc.1 LISF)	81.137	100.816	(19.679)	(19,52%)
C3. management of securities portfolios (let. D4 enc.1 LISF):	297.362	244.436	52.926	21,65%
C3.1 own portfolio	35.283	18.188	17.095	93,99%
C3.2 third-party portfolio	262.079	226.248	35.831	15,84%
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	844.195	610.579	233.616	38,26%
F) Commissions for distributors	-	-	-	-
G) Electronic money	48.768	55.795	(7.027)	(12,59%)
H) Issuance/management of credit/debit cards	238.018	244.504	(6.486)	(2,65%)
I) Other services	48.809	66.964	(18.155)	(27,11%)
Total	1.558.289	1.329.874	228.415	17,18%

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	368.633			-
A2. Write-downs	(1.019.157)			-
B. Other profits / losses (+/-)	210.785	126.173	-	-
Total	(439.739)	126.173	-	-
1. Government securities	(156.369)			
2. Other debt financial instruments	(306.223)			
3. Capital financial instruments	22.853			
4. Contracts derived from financial instruments	-			

Gains and losses on the value of the securities of the trading portfolio as at 31/12/2021 are entered in the items "A1. Revaluations" and "A2. Writedowns" respectively. The item "B. Other profits/losses" includes the profits and losses deriving from the negotiation and sale of financial instruments and from transactions for the sale of currencies other than the Euro.

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

Table 26.1

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

	31/12/2021	31/12/2020	Variations	
			Amount	%
Other operating income:				
- Capital share of leasing fees	8.069.003	5.942.881	2.126.122	35,78%
- Spese di gestione conti e depositi	469.384	426.653	42.731	10,02%
- Recovery of expenses	114.412	86.431	27.981	32,37%
- Rental income	40.000	-	40.000	-
- Other operating income	208	139	69	49,64%
Total	8.693.007	6.456.104	2.236.903	34,65%
Other operating charges				
Total	-	-	-	-

The change in the item "Capital share of lease instalments" is mainly due to the payment of instalments for maxi lease instalments.

Year 2021

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

Table 27.1
Number of employees by category

	Average as at 31/12/2021	Personnel cost as at 31/12/2021	Number as at 31/12/2021	Average as at 31/12/2020	Personnel cost as at 31/12/2020	Number as at 31/12/2020
A) Senior managers	10,00	1.560.030	10	11,00	1.707.743	11
B) Managers	2,00	148.511	2	1,08	95.793	2
C) Remaining personnel	41,50	2.086.293	44	40,00	2.226.710	40
C1. Office employees	41,42	2.085.853	43	35,08	1.980.644	35
C2. Other personnel	0,08	440	1	4,92	246.066	5
Total	53,50	3.794.834	56	52,08	4.030.246	53

This table includes all staff with employment contracts, both fixed-term and open-ended. The workforce is made up of 10 executives (1 general manager, 1 deputy general manager and 8 officials in charge of operational areas and branches), 2 middle managers and 43 clerical staff. Men make up 62% of the employees, while the remaining 38% are women.

Under item "C2. Other staff" a new resourced on secondment with compensation by way of scholarship pursuant to Article 12 Law 71/2014 (company internship) was reconducted. The previous 5 units on secondment from former Banca Nazionale Sammarinese joined the Institute's workforce in 2021.

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

Year 2021

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

	31/12/2021	31/12/2020	Variations	
			Amount	%
Other administrative expenses	2.220.536	2.016.901	203.635	10,10%
of which remuneration for independent auditors	59.133	47.020	12.113	25,76%
of which for services other than budget review	-	-	-	-
of which Other:	2.161.403	1.969.881	191.522	9,72%
a) network service fees	658.820	593.110	65.710	11,08%
b) supervisory and associative burdens	457.404	338.557	118.847	35,10%
c) services	328.302	303.881	24.421	8,04%
d) utilities and service fees	121.389	114.524	6.865	5,99%
e) other general expenses	102.255	108.417	(6.162)	(5,68%)
f) rental expenses	101.899	137.099	(35.200)	(25,67%)
g) insurance	97.572	81.486	16.086	19,74%
h) transfer to the Depositors Guarantee Fund	75.690	41.380	34.310	82,91%
i) consumable materials	72.253	80.354	(8.101)	(10,08%)
j) maintenance and repair	52.873	59.839	(6.966)	(11,64%)
k) agency cost	44.858	39.808	5.050	12,69%
l) taxes and duties	27.867	45.814	(17.947)	(39,17%)
m) advertising	20.221	25.612	(5.391)	(21,05%)

Table 27.3
Remuneration

	31/12/2021	31/12/2020	Variations	
			Amount	%
A) Directors	122.000	180.846	(58.846)	(32,54%)
B) Auditors	59.333	48.600	10.733	22,08%
C) Managers	414.519	568.282	(153.763)	(27,06%)
Total	595.852	797.728	(201.876)	(25,31%)

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

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

Table 28.1

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

	31/12/2021	31/12/2020	Variations	
			Amount	%
A) Intangible fixed assets	319.066	330.228	(11.162)	(3,38%)
of which on assets leased	-	-	-	-
of which on other intangible assets:	319.066	330.228	(11.162)	(3,38%)
A1. Multi-year fees	210.870	211.254	(384)	(0,18%)
A2. Software	108.196	118.974	(10.778)	(9,06%)
B) Tangible fixed assets	8.401.237	6.272.918	2.128.319	33,93%
of which on assets leased	8.069.004	5.942.881	2.126.123	35,78%
of which on other tangible assets:	332.233	330.037	2.196	0,67%
B1. Lands and buildings	165.633	151.438	14.195	9,37%
B2. Electronic office devices	58.432	68.927	(10.495)	(15,23%)
B3. Systems and technical equipment	48.978	54.933	(5.955)	(10,84%)
B4. Furniture	48.822	44.371	4.451	10,03%
B5. Vehicles	10.368	10.368	-	-
Total	8.720.303	6.603.146	2.117.157	32,06%

Table 28.2

Composition of item 120 "Provisions for risks and charges"

	31/12/2021	31/12/2020	Variations	
			Amount	%
Provisions (relating to sub-item "Other funds" of Liabilities)	100.000	1.000.000	(900.000)	(90,00%)
- Provision for customer disputes	100.000	-	100.000	-
- Provision for lawsuits	-	1.000.000	(1.000.000)	(100,00%)

For further information on the details of the provisions for risks and charges, please refer to what is indicated at the bottom of Table 18.4.

Year 2021

Table 28.3
Item 130 "Allowances for possible loan losses"

	31/12/2021	31/12/2020	Variations	
			Amount	%
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"

	31/12/2021	31/12/2020	Variations	
			Amount	%
A) Value adjustments on credits	1.833.793	1.361.103	472.690	34,73%
of which:				
- lump-sum adjustments for country risk	5	-	5	-
- other lump-sum adjustments	86.787	62.278	24.509	39,35%
B) Provisions for guarantees and commitments	-	-	-	-
of which:				
- lump-sum adjustments for country risk	-	-	-	-
- other lump-sum adjustments	-	-	-	-
Total	1.833.793	1.361.103	472.690	34,73%

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.

Year 2021

Table 28.5
Different types of movements of the financial year

	31/12/2021		31/12/2020	Variations	
	Analytical	Lump sum		Amount	%
A) Total cash credit write-downs	1.354.512	86.792	1.217.250	224.054	18,41%
A1. Non-performing loans	579.552	-	583.994	(4.442)	(0,76%)
A2. Substandard loans	218.641	-	42.643	175.998	412,72%
A3. Other loans	556.319	86.792	590.613	52.498	8,89%
B) Total losses on cash credits	392.489	-	143.853	248.636	172,84%
B1. Non-performing loans	390.816	-	142.749	248.067	173,78%
B2. Substandard loans	-	-	-	-	-
B3. Other loans	1.673	-	1.104	569	51,54%
Total cash value adjustments (A+B)	1.747.001	86.792	1.361.103	472.690	34,73%
C) Total advances on guarantees and commitments	-	-	-	-	-
C1. Guarantees	-	-	-	-	-
C2. Commitments	-	-	-	-	-
Total (A+B) + C	1.747.001	86.792	1.361.103	472.690	34,73%

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

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

	31/12/2021		31/12/2020	Variations	
				Amount	%
Write backs	571.954	415.206		156.748	37,75%
- of which on non-performing loans	367.893	249.949		117.944	47,19%
- of which on substandard loans	24.267	20.932		3.335	15,93%
- of which on other credits	179.794	144.325		35.469	24,58%

Year 2021

Table 28.7

Composition of item 160 "Value adjustments on fixed financial assets"

	31/12/2021	31/12/2020	Variations	
			Amount	%
Value adjustments	1.250.000	-	1.250.000	-
- 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	1.250.000	-	1.250.000	-
- of which on derivative financial instruments	-	-	-	-

This item includes the total amount of value adjustments made to financial fixed assets following a prudent valuation of the items and which constitute permanent losses in value as already indicated at the bottom of table 5.3.

Table 28.8

Composition of item 170 "Value recoveries on fixed financial assets"

	31/12/2021	31/12/2020	Variations	
			Amount	%
Value recoveries	-	-	-	-
- of which on investments	-	-	-	-
- of which on investments in controlled companies	-	-	-	-
- of which on investments in associated companies	-	-	-	-
- of which on investments valued at equity	-	-	-	-
- of which on other capital financial instruments	-	-	-	-
- of which on debt financial instruments	-	-	-	-
- of which on derivative financial instruments	-	-	-	-

Table not valued as data not present.

Year 2021

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"

	31/12/2021	31/12/2020	Variations	
			Amount	%
Extraordinary income:				
- Profit from realization of investment securities	2.819.876	90.826	2.729.050	3.004,70%
- Credit on IGR tax	132.880	-	132.880	-
- Capital gains	-	9.500	(9.500)	(100,00%)
- Other contingent assets	41.105	22.227	18.878	84,93%
Total	2.993.861	122.553	2.871.308	2.342,91%
Extraordinary expenses:				
- Losses from realization of investment securities	657.865	535.850	122.015	22,77%
- AGE taxes previous years	48.532	-	48.532	-
- Extraordinary real estate amnesty Law 94/2017	27.798	-	27.798	-
- Other extraordinary expenses	1.138	31.113	(29.975)	(96,34%)
Total	735.333	566.963	168.370	29,70%

For further information reference should be made to the explanatory notes at the bottom of table 5.3 on "Profits/losses on disposal of investment securities".

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"

	31/12/2021	31/12/2020	Variations	
			Amount	%
Change in the General financial risk fund	-	-	-	-

Table not valued as data not present.

SECTION G - OTHER INFORMATION TABLES

31. Prudential aggregates

Table 31.1
Prudential aggregates

	Amount / %
Regulatory capital	
A1. Core capital	42.168.570
A2. Supplementary capital	-
A3. Deductions	768.097
A4. Regulatory capital	41.400.473
Risk assets and supervisory ratios	
B1. Weighted risk assets	235.508.161
C1. Regulatory capital / Weighted risk assets	17,58%
Supervisory requirements	
D1. Market risks	-

The bank has assets suitable for covering potential risks, showing a total capital ratio of 17,58%, which is therefore well above the required regulatory minimum of 11%.

32. Major risks and related parties

Table 32.1
Major risks

	31/12/2021	31/12/2020	Variations	
			Amount	%
Amount	4.311.970	3.774.085	537.885	14,25%
Number	1	1	-	-

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

Table 32.2
Risks to related parties

	31/12/2021	31/12/2020	Variations	
			Amount	%
Amount	1.850.627	4.869.945	(3.019.318)	(62,00%)
Number	12	13	(1)	(7,69%)

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.

Year 2021

33. Time distribution of assets and liabilities

Table 33.1
Time distribution of assets and liabilities

	Total	Sight	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From more than 1 year to 18 months	From more than 1 year to 18 months	From more than 18 months to 2 years	From more than 18 months to 2 years	From more than 2 years to 5 years	From more than 2 years to more than 5 years	More than 5 years	More than 5 years	No term
Fixed rate (F) - Variable rate (V)						F	V	F	V	F	V	F	V	
1. Assets														
11 Treasury securities and other financial instruments eligible for refinancing with central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12 Loans to credit institutions	202.670.056	178.666.409	-	-	-	-	-	-	-	-	-	-	-	24.003.647
13 Loans to customers	167.792.330	11.647.634	16.623.373	7.595.137	12.079.867	12.26.073	7.183.962	10.74.014	7.435.856	4.819.473	32.690.641	7.501.781	53.761.275	4.153.244
14 Bonds and other debt financial instruments	330.861.331	-	10.089.899	2.985.800	20.831.159	18.315.853	1.410.676	8.730.095	7.331.058	103.774.087	90.227.618	42.599.955	24.565.131	-
15 Off-balance sheet transactions	22.939.464	3.698.659	15.465.777	1.062.042	1.005.833	-	-	1.404.332	-	4.286.897	-	9.935.124	-	-
2. Liabilities														
21 Payables to credit institutions	736.704	736.704	-	-	-	-	-	-	-	-	-	-	-	-
22 Payables to customers	544.449.879	420.883.345	32.518.085	42.527.123	48.521.326	-	-	-	-	-	-	-	-	-
23 Payables represented by financial instruments:	131.493.604	-	51.662.280	15.960.344	36.932.279	7.022.833	-	12.950.393	-	6.965.475	-	-	-	-
- Bonds	23.810.907	-	10.058.970	-	12.871.602	-	-	-	-	880.335	-	-	-	-
- Certificates of deposit	107.682.697	-	41.603.310	15.960.344	24.060.677	7.022.833	-	12.950.393	-	6.085.140	-	-	-	-
- Other financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
24 Other liabilities: cheques in circulation and similar securities	643.658	643.658	-	-	-	-	-	-	-	-	-	-	-	-
25 Subordinated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
26 Off-balance sheet transactions	2.233.336	-	1.218.353	714.983	300.000	-	-	-	-	-	-	-	-	-

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

34. Securitization transactions

The bank did not carry out any securitization transactions.

35. Payment institutions and electronic money institutions: further information

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

Year 2021

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

Table 36.1
Volumes of payment transactions

Type of operations	31/12/2021				31/12/2020			
	Amount of operations	Number of operations	Commissions received	Expense recoveries	Amount of operations	Number of operations	Commissions received	Expense recoveries
a) Credit cards	21.338.241	250.556	20.394	102.035	16.914.617	205.192	13.661	99.961
b) Debit cards	28.437.607	384.112	27.179	135.983	24.458.664	307.180	19.753	144.544
c) Electronic money	10.198.627	109.759	9.747	48.768	9.441.297	86.556	7.625	55.795
Total	59.974.475	744.427	57.320	286.786	50.814.578	598.928	41.039	300.300

Table 36.2
Fraudulent uses

Type of operations	31/12/2021				31/12/2020			
	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	15.240	47	-	-	16.499	73	-	-
b) Debit cards	852	59	-	-	126	1	-	-
c) Electronic money	1.050	3	-	-	6.020	30	-	-
Total	17.142	109	-	-	22.645	104	-	-

Table 36.3
Credit cards revoked due to insolvency

Risk operation type	31/12/2021		31/12/2020	
	Amount	Number of cards	Amount	Number of cards
a) On the intermediary	-	-	-	-
b) On third parties	-	-	-	-
Total	-	-	-	-

Table not valued as data not present.

Table 36.4
Data related to acquiring activity

	31/12/2021		31/12/2020	
P.O.S.	Number	Amount	Number	Amount
Number of Points of Sale (P.O.S.) contracted with the reporting entity	720		620	
Number of merchants affiliated with the reporting institution	584		533	
Payment transactions at merchants affiliated with the reporting institution	831.571	57.559.985	496.009	38.517.010
A.T.M.	Number	Amount	Number	Amount
Number of Automatic Teller Machines (A.T.M.) operated by the reporting institution	6		6	
Withdrawal transactions at A.T.M.'s operated by the reporting institution	75.736	12.341.350	63.373	10.696.040
Transactions other than withdrawal transactions at A.T.M. operated by the reporting institution	1.062	25.605	974	24.255

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.

REPORT
OF THE BOARD OF STATUTORY AUDITORS
TO THE FINANCIAL STATEMENTS FOR THE YEAR CLOSED AS AT
31.12.2021

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

Dear Shareholders,

this report of the Board of Statutory Auditors to the financial statements for the year ended as of 31 December 2021, which we are pleased to submit to your attention, is divided into three sections:

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

* * *

1. Activities carried out

The draft financial statements for the year ended as of 31 December 2021, made available to the Board of Statutory Auditors within the terms provided for by law and submitted for your review and approval, have been prepared in accordance with the provisions of the law and, in particular, with Article 29 et seq. of Law 165/2005 (LISF), Article VI.II.2 of Regulation 2007-07 issued by the Central Bank of the Republic of San Marino, as amended, to the principles set forth in Regulation 2016-02, to the criteria established by the Law on Companies 47/2006, as amended, as well as in compliance with the provisions issued by the Supervisory Authority of the Central Bank of the Republic of San Marino.

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

During the 2021 financial year, the Board of Statutory Auditors:

- exercised the supervisory activities entrusted to it, in compliance with current legislation, regulations, recommendations and circulars issued by the Central Bank, as well as the instructions and notes pertaining to the Financial Information Agency of the Republic of San Marino;
- supervised compliance with the law and the bylaws and compliance with the principles of proper administration by the corporate bodies;

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

In addition, the Board was updated by the Structure on the early sale of debt financial instruments from the investment portfolio for a nominal €27,350,000 realizing profits of €1,512,937 and on the transfer of debt financial instruments from the investment portfolio to the free portfolio for a nominal €10,173,000, realizing profits of €1,039,664 and losses of €108,268 as per letter Prot. no. 20/13417 dated 22/12/2020 from CBSM.

Therefore, the Bank, when approving the financial statements will have to allocate the sum of €2,444,333, corresponding to the net realized capital gains to a capital reserve to be used exclusively for increasing the share capital.

The 2021 financial year closed with a profit of €8,057,281 and the Board of Directors in the Explanatory Notes to the Financial Statements explained the valuation criteria adopted for the various items and provided the required information on both the Statement of Assets and Liabilities and the Profit and Loss Account.

2. Financial statements

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

enterprise as a whole, through a 'historical and prospective analysis of investments, costs and revenues.

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

Statement of assets and liabilities:		
ASSETS		
Intangible fixed assets	Euro	1.788.374
Tangible fixed assets net of funds	Euro	41.918.305
Current assets: cash and cash equivalents	Euro	209.478.186
Current assets (net of the Allowance for doubtful accounts): credits and securities	Euro	505.118.788
Accrued revenues and deferred expenses	Euro	750.334
TOTALE ASSETS	Euro	759.053.987
Net Equity		
Share capital	Euro	21.500.000
Other reserves	Euro	13.620.859
Revaluation reserve	Euro	744.614
Current Earnings (Losses)	Euro	8.057.281
LIABILITIES		
Employees' termination benefits provision	Euro	305.026
Provisions for risks and charges	Euro	2.186.517
Provisions for general banking risks	Euro	5.000.000
Subordinated liabilities	Euro	0
Payables to banks	Euro	736.704
Payables to customers, securities and others	Euro	706.754.401
Accrued liabilities and deferred income	Euro	148.585
TOTAL LIABILITIES AND NET EQUITY	Euro	759.053.987
Guarantees, commitments, risks and order accounts	Euro	59.250.080
Profit and loss account:		
Positive components	Euro	30.344.451
Negative components	Euro	22.287.170
Current Earnings (Losses)	Euro	8.057.281

Regarding the financial statements for the year ended as of 31 December 2021, in addition to the foregoing, the Board of Statutory Auditors certifies that it has:

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

3. Conclusions

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

In addition to this, taking into account that the report extended by the independent auditors Ab&d Audit Business & Development s.p.a. on 19 April 2022 on these financial statements does not raise any issues, the Board of Statutory Auditors has ascertained that, to the best of its knowledge and to the extent of its competence, the financial statements do not appear to be affected by significant errors and as a whole were drawn up clearly and in compliance with current civil and tax laws, representing, to the best of the Board's knowledge, a true and fair view of the equity and financial situation and the economic result for the financial year.

In view of the foregoing, and to the extent of its competence, the Board of Statutory Auditors finds no reason to object to the approval of the draft financial statements for the year ended as of 31 December 2021 and the

formulated Explanatory Notes to the financial statements, as presented by the Board of Directors.

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

San Marino, May 2, 2022

Dott. Francesca Monaldini
Member of the Board of Statutory Auditors

Avv. Alida Tosi
Member of the Board of Statutory Auditors

Dott. Fabrizio Cremoni
Member of the Board of Statutory Auditors

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

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

Opinion

We carried out the audit of the Financial Statements of BANCA SAMMARINESE D'INVESTIMENTO S.p.A. (hereinafter also the Bank), consisting of the Balance Sheet as at December 31, 2021, Income Statement for the year ended on that date and the Explanatory Notes to the Financial Statements.

In our opinion, the Financial Statements give a true and fair view of the equity and financial position of the BANCA SAMMARINESE D'INVESTIMENTO S.p.A. as at December 31, 2021 and the economic result for the year closed as at such date, in accordance with San Marino regulations, including Regulation no. 2016-02, issued by the Central Bank of the Republic of San Marino, which govern the drafting criteria.

Elements at the basis of the opinion

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

A note to public disclosure

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

- The Bank, availing itself of the option granted by CBSM pursuant to the letter Prot. no. 20/13417 dated 22/12/2020, during the 2021 financial year carried out:
 - the early sale of debt financial instruments from the fixed investment portfolio for a nominal value of €27,350,000, realizing profits of €1,512,937;
 - the transfer of debt financial instruments from the fixed investment portfolio to the trading portfolio for a nominal value of €10,173,000, realizing profits of €1,039,664 and losses of €108,268.

Società di revisione ed organizzazione contabile

As required by the aforementioned provision of CBSM, the Bank, upon approval of these Financial Statements, must allocate the sum of €2,444,333, corresponding to the net realized capital gains, to a capital reserve to be used exclusively for increasing the share capital.

- Due to extraordinary events, i.e., the rating collapse suffered by two fixed investment securities, the Bank's Board of Directors also resolved, in the interest of sound and prudent management, to sell these securities in advance, also in several instalments, for a total nominal amount of €6,000,000; during the year, the Bank sold a total nominal amount of €2,000,000, realizing a capital loss of €271,870. Finally, the Bank wrote down these securities by a total of €1,250,000.
- The current Russian-Ukrainian conflict is generating uncertainty and volatility particularly in the financial sector. The Bank has carried out a careful reconnaissance of the risks in place with respect to counterparties located in the countries involved in the conflict, without detecting significant critical issues. The Bank is conducting a careful monitoring of existing and potential customers aimed at compliance with the sanctions introduced in the European and San Marino spheres.

Responsibilities of the Directors and the Board of Statutory Auditors for the Financial Statements

The directors are responsible for preparation of the Financial Statements that give a true and fair view in accordance with the San Marino regulations governing the drafting criteria and, within the terms established by law, for that part of internal control deemed necessary by the directors themselves to allow the preparation of Financial Statements without significant errors due to fraud or unintentional behaviour or events.

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

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

Auditor's Responsibilities for the audit of the Financial Statements

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

As part of the audit carried out in accordance with the legislation in force in the Republic of San Marino and, where applicable, with the International Standards on Auditing, we exercised 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 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 attention in the audit report to the related disclosure, or, if such disclosures are inadequate, to reflect this fact in the formulation of our judgment. Our conclusions are based on the audit evidence obtained up to the date of this report. However, subsequent events or circumstances may result in the Bank ceasing to operate as an operating entity;
- we assessed the presentation, structure and content of the Financial Statements as a whole, including the disclosure, and whether the Financial Statements represent the underlying transactions and events in order to provide a correct representation.

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

Report on other provisions of law and regulations

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

The directors of BANCA SAMMARINESE D'INVESTIMENTO S.p.A. are responsible for the preparation of the management report as at December 31, 2021, including its consistency with the related Financial Statements and its compliance with the Regulation.

We have 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, 2021 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, 2021 and drafted in compliance with the Regulation.

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

San Marino, 19/04/2022

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

Marco Stolfi
Auditor