



ANNUAL ACCOUNTS

2022

Approved by the Shareholders' Meeting of Cassa di Risparmio della Repubblica di San Marino SpA on
31/05/2023

INSTITUTIONAL INFORMATION: THE BANK as of 31st December

CORPORATE STRUCTURE

- Most Excellent Chamber of the Republic of San Marino
holder of shares representing 100% of the share capital.

CORPORATE REPRESENTATIVES*

Board of Directors

Prof. Lawyer Carloalberto Giusti, President
Dr. Stefano Bizzocchi, Vice President
Prof. Gianfranco Antonio Vento, Chief Executive Officer
Dr. Vincent Cecchetti, Board member
Dr. Alessandro Gennari, Board member

Board of Auditors

Lawyer Sara Pelliccioni, President
Dr Rossana Michelotti, Mayor
Dr Meris Montemaggi, Mayor

General Manager

Dr. Francesco Rescigno *from 14 November 2022*

GENERAL MANAGEMENT

Dr. Francesco Rescigno - Director General*

**it should be noted that for part of the year under review, until 13 November 2022, the position of Head of the Executive Structure was held by the Chief Executive Officer, Prof. Gianfranco Antonio Vento*

Dr Mikela Ercolani - Deputy General Manager of Administration and Finance
Dr Monica Ceci - Deputy General Manager for Commercial and Credit

AUDITING COMPANY

Solution S.r.l.

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Management report

Section 1 - MANAGEMENT REPORT

THE ECONOMIC REFERENCE SCENARIO

The International economy¹

The year 2022, the year of the return to near-normality after the difficult two-year period 2021/2021, which was heavily penalized by the pandemic and related restrictions, opens with the prospect of the conflict on Europe's doorstep, an event that has led to a high level of uncertainty and which, together with the decidedly restrictive orientation of monetary policies and the galloping inflation, after years of stability, has led to a worsening of the general economic picture, as shown by both economic indicators and the available national statistics relating to the fourth quarter: clearly heavier deterioration in the advanced countries and China.

Despite this, the first part of the year had yielded important signs of change, detectable even in the third quarter in the world's largest economies. Towards the end of the year, however, the US saw dystonic phenomena, with expectations of weakening business activity contrasted with the resilience of retail sales and the expansion of employment, which would have supported growth into late 2022. The UK reported a decline in the Purchasing Managers Index (PMI), accompanied by signs of a further reduction in private consumption. As far as China is concerned, the fourth-quarter output was substantially unchanged compared to the already penalized third quarter; the adoption, between October and November, of further major restrictive measures to cope with the pandemic, generated a deterioration in the economic framework brought about by the interruption of production activities and growing social tensions. The easing of the measures at the beginning of December, while it generated a positive effect on domestic demand, confronted the country with a new strong wave of infections, in a country with little immunity and a poorly prepared national health system.

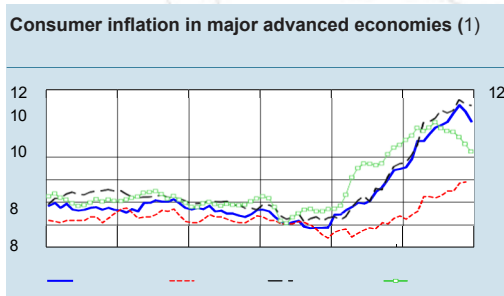
Among emerging economies, manufacturing Pies remained more or less stable.

Available statistics show that international trade also slowed down at the end of the year, while oil prices moderated, after peaking during the year, due to the slowdown in global demand.

Towards the end of the year, Europe saw natural gas prices fall as a result of both accumulated storage and reduced industrial demand and mild temperatures, although remaining at levels well above historical averages.

More generally, significant risks related to the evolving geopolitical environment hinder the world economy.

Inflation, despite some signs of decline, remained high and the central banks of the major advanced countries continued to tighten monetary policies, resulting in forecasts of weakening global growth in 2023.



¹ Source: Economic Bulletin ECB 01-2023 Economic Bulletin Bank of Italy 01-2023

Current levels of inflation growth are the highest in 40 years.

The Federal Reserve raised the target range on federal funds by 75 and 50 basis points respectively at its last meetings in November and December to a level between 4.25 % and 4.5 %. Between May and June 2022, it was between 1.5 % and 1.75 % and by March 2023 it had risen to 4.75 % and 5 % - and it is assumed to rise further in order to keep inflation at a level compatible with the 2 % target.

The Bank of England also adopted the same attitude (+75% and +50% basis points) in connection with a programme to reduce its balance sheet, which began in November 2022 with the sale of an initial tranche of £750m government bonds. On the other hand, the Bank of Japan kept both the official rate, negative, and the securities purchase programme unchanged despite rising inflation and the depreciation of the yen. In other cases, it limited itself to a widening of tolerance on the yield rate of ten-year treasury bonds, allowing these to rise to 0.5%, the highest since 2015.

Policies were much more heterogeneous among emerging countries, impacted by different cyclical conditions. Brazil's Central Bank interrupted the sequence of official rate hikes in September, while in India rates were raised for the fourth consecutive time in December. In China, where inflation remained subdued, the Central Bank reduced reserve requirements on deposits to support the flow of credit, particularly to the real estate sector.

Forecasts for 2023 indicate that growth for advanced economies is expected to decline by about 1.5 % compared to 2022, while differentiated trends are expected for other country economies.

The euro area²

The worldwide context finds the same situation in the Euro Area countries. The economic situation was affected by the tensions and effects connected to the conflict in Ukraine, presenting growth at a low rate, domestic demand slowed down by significant increases in the price of energy raw materials and by the difficulties of procurement by companies.

The latest projections by Eurosystem experts show a minimal increase in output over the summer period, which grew by 0.3%, supported by a marked expansion in investment and a more moderate expansion in household consumption. GDP was adversely affected by net foreign demand, where imports increased more than exports.

In general, activity grew in all the main economies up to the end of the third quarter, to a more sustained extent in Italy and Germany, but the most recent economic indicators point to a stable situation for the fourth quarter; a condition that is also reflected in the growth of industrial production, with PMI indices for manufacturing reported to have remained substantially stable against a declining climate of confidence in industry. The impact on the services sector was more muted.

Consumer inflation remained high at 9.2% in December, down 0.9% compared to November. The energy component is still the main driver of price dynamics, although there was a significant acceleration in food prices (+13.8%).

In this context, the risks of a negative upward spiral between wages and prices is limited due to a low amount of inflation-indexed wages.

The Eurosystem's inflation forecast published in December sees an expected inflation rate for 2023 at 6.3 % (8.4 % in 2022) with a subsequent halving by 2024, with the average figure for the period (2023-24) up on the previous forecast by about one percentage point.

The Governing Council of the European Central Bank continued to tighten monetary policy by further raising official rates (4 hikes in the course of 2022), in order to bring inflation back to the medium-term target of 2 per cent, although these manoeuvres made the conditions for longer-term refinancing operations less advantageous.

² Source: Parliamentary Budget Office - Economic Situation Note 02-2023 ECB
Economic Bulletin 01-2023
Economic Bulletin Bank of Italy 01-2023

The ECB also dismissed a European programme to reduce energy dependency on Russia and accelerate the green transition (REPowerEU), which provides new funds to support national recovery and resilience plans.

GDP growth and inflation (percentage changes)					
COUN	GDP growth			Inflation (1)	
	2021	2022 2nd	2022 3rd	2022 December	2022 (3)
France	6.8	0.5	0.2	6.7	5.9
Germany	2.6	0.1	0.4	9.6	8.7
Italy	6.7	1.1	0.5	2.3	8.7
Spain	5.5	2.0	0.1	5.5	8.3
Euro Area	5.3	0.8	0.3	9.2	8.4

Source: elaborations on national statistics and Eurostat data.

(1) Quarterly data seasonally and working-day adjusted; change over previous period. - (2) Monthly data; change over the corresponding period of the Harmonised Index of Consumer Prices (HICP). - (3) Average annual data; change over the corresponding period of the HICP.

Italian economic and financial scenario 3

Italy's GDP in 2022 is generally growing, despite the pitfalls of the macroeconomic environment and although the cyclical phase weakened in the last three months of the year, due to energy prices and the slowdown in the recovery of added value recorded by services after the most severe phase of the health crisis.

Estimates show a contraction of industrial production in the fourth quarter, mainly driven by high energy costs and weakening demand; the service sector also shows signs of slowing down.

The uncertainty related to the continuation of the conflict in Ukraine and the more restrictive financial conditions had an impact on investment spending, which generally slowed down predominantly in the construction sector, while investment in plant and machinery accelerated.

In 2022, the real estate market registers its first setback after the significant post-first pandemic wave growth, when property prices, although falling, are still higher. The ongoing inflationary phenomena and the resulting higher cost of borrowing are among the main factors in this setback.

On the consumption side, the summer period saw household spending grow strongly, driven by all components except non-durable goods, before falling back in the autumn and stabilizing at the end of the year. Although provided by higher disposable income, the propensity to save fell back to pre-pandemic levels, to 7.1%.

Thanks to the measures taken by the government to mitigate the prices of energy goods and to support disposable income, the effect of inflation on households, affected by the higher cost of bank debt, was partially mitigated.

The labor market showed good signs in terms of both employment and hours worked; the growth of permanent jobs continued, with demand for labor increasing moderately in the first months of autumn 2022. Wage dynamics remained moderate and the unemployment rate at 7.9% represents a historically low level.

In December, harmonized consumer inflation remained high at 12.3%, down from the previous two months and compared to an annual average of 8.7%.

³ Source: ECB - Economic Bulletin 01-2022 02-2022
Bank of Italy - Economic Bulletin 01-2022 Istat
- Quarterly Economic Accounts 31/12/2022

The context highlighted reveals uncertain prospects for the Italian economy, which, like the rest of Europe, is bearing the brunt of the effects of the Russian-Ukrainian conflict, the dynamics of the international market despite forecasts of GDP growth of at least 1% in 2023, and further consolidation in 2024.

Focus on the banking and financial market

Autumn saw a slowdown in the growth of bank loans, penalized both on the corporate sector, which made less recourse to investments, and on the private sector, which was wait-and-see in the face of real estate commitments due to a supply at rising prices and scenarios of rising rates. Demand was weakened, among the other things, by the rise in official rates started in July, which is being transmitted to the cost of bank credit. In the corporate sector, the average growth in lending rates exceeds 150 basis points and the increase in the cost of new loans for households at fixed rates exceeds 3.6% and 2.8% for variable rates.

Banks' funding, year-on-year, remained broadly stable, as a result of growth in household deposits, albeit at a lower level than in the recent past, and a reduction in corporate deposits.

The deterioration in credit quality remained limited (1.1% year-on-year); however, a deterioration in growth prospects together with the acceleration of the path towards policy normalization, in an uncertain geopolitical context due to the conflict and the persistence of inflationary pressures led to a significant tightening of conditions in the Italian financial market.

Financial market conditions showed a discrete improvement in autumn, thanks to expectations of a slowdown in the pace of interest rate rises and investors' greater appetite for risk, which, on the one hand, facilitated the reduction in yields on long-term government bonds and supported share prices on the other. This phenomenon, after the December meetings of the main central banks, marked a reversal with the immediate rise in long-term rates, a phenomenon that turned out to be temporary. In fact, since mid-January, the spread between ten-year Italian government bonds and German bunds has fallen to around 185 basis points, well below the year's highs.

Share prices speculatively improved in December and the Italian stock market index rose sharply.

The net flow of savings to open-ended mutual funds - on a year-on-year basis - declined by about € 1.8 billion, as outflows from flexible, balanced and bond funds penalized the large inflows into equity and money market funds.

With regard to the crypto currency sector, which is still in an embryonic stage in the country, the evidence of the potential risks associated with the spread of these instruments make it necessary to introduce regulatory changes at supranational level to protect users and preserve the stability of the financial system.

Economic scenario of the Republic of San Marino⁴

The Republic of San Marino, during the pandemic and in the post-pandemic phase, demonstrated an unexpectedly remarkable resilience, as attested by International Bodies.

In particular, the IMF, in its end-of-mission communiqué, issued on 3 March, acknowledges that resilience has depended on robust manufacturing and the tourism sector, both of which have been able to sustain GDP growth, estimated to exceed the 4% threshold in 2022, as well as a return to pre-pandemic levels for general economic activity and employment. Conversely, they assume a slowdown for 2023 driven by the uncertain environment and high energy prices. Noting the good results of fiscal policy in the current year, they recommend continuing with reforms, with a focus on those related to fiscal policy with the aim of debt management in terms of debt sustainability and with a view to implementing a domestic debt market in the medium term, as well as opportunistically exploiting any market window that may open in the current year for the renewal of the Eurobond.

The IMF appreciated the efforts to improve banks' capitalization and profitability, and hoped for an early completion of the path to reduce NPLs.

Also the Fitch rating agency, after having updated the sovereign rating of the Republic of San Marino on 2/9/2022, which from 'BB+' was consequently downgraded to 'BB' although the Outlook was declared stable, on 10/02/2023 issued an update confirming the rating at 'BB' *with a stable outlook*, assuming the existence of high income levels, with a GDP per capita closer to the median 'AAA' than the median 'BB', a resilient export sector and a large net position of external creditors, as well as a stable political system. *San Marino's 'BB' rating is supported by high income levels, with GDP per capita closer to the 'AAA' than the 'BB' median, a resilient export sector and large net external creditor position, and a stable political system. The rating is weighed down by a high debt burden and weak asset quality in the large banking sector. The very small size of the economy, limited administrative capacity reflected in data quality issues, and low growth potential are also key weaknesses.*

In addition, it is worth highlighting how Fitch was surprised by the economic growth trend and, consequently, revised upwards its growth estimates from 3% to 4% for 2022, driven by the manufacturing sector, the driving force behind the growth, together with the tourism sector, also considering that the unemployment rate is at its lowest level in more than 12 years.

In any case, in its September report, Fitch also acknowledged the country's improvements, such as (i) the consolidation of the public budget, also in terms of liquidity levels, (ii) the improvement of the banking system, both in terms of capital and liquidity ratios, (iii) the balance of payments data referring to foreign items, which proved resilient despite the pandemic, and the stability of the country's political system. Moreover, the rating agency places a positive emphasis on the fiscal deficit, which has been shrinking since last March, and on the importance for the state of not having to proceed with the recapitalization of CRSM, which not only closed its 2021 financial statements in profit, but also replenished the General Financial Risk Fund with the sum of €5 million, to be used as a buffer against the turbulence generated by the current macroeconomic context, as it

can be seen from the extract of the recently published report: *'Fiscal Consolidation Continues: The Final Fiscal for 2021 was lower than expected during our last review (4.1% of GDP compared with 5.7% in our March review). the first time since 2011, the government did not need to inject additional capital into the banking sector, including for the state-owned bank Cassa di Risparmio (CRSM), given the improved situation of the banking sector. CRSM has made a provision of EUR5 million to its General Financial Risk Fund, which should to some extent help to shield the government from bearing future losses'.*

Turning to the analysis of the economic fabric, the Statistics Bulletin for the fourth quarter of 2022 provides evidence of the main dynamics. These data show that the labor force in December 2022 reached 23,674, an important year-on-year increase of 1.99%. This growth is entirely attributable to private sector employees, who reached 17,597,

⁴ Source: Office of Information Technology Data and Statistics - Statistical Bulletin 4th Quarter 2022
Office of Information Technology Data and Statistics - Country Sheet
IMF - Staff Concluding Statement of an IMF Staff Visit 3/03/2023 Fitch - Rating Action
Commentary 2/09/2022 - 10/02/2023

registering an increase of 17,049 (+548). At the same time, the total unemployed fell to 824 compared to 1,030 units in 2021, a decrease of -20%.

Analysing the number of enterprises classified by sector of economic activity, there is an increase in the absolute number of operators (+92 units) and a generalised growth in most sectors with peaks represented by 'Professional, Scientific and Technical Activities' (+55 units, i.e. +5.71%), "Services of Information and Communication" (+15 units, amounting to 7.73%), followed by "Education" and "Financial and Insurance Activities" (both + 13 units and amounting, respectively, to +12% and +16.67%)

Number of Enterprises by Classification of Economic Activity Section: ATECO2007				
	2021	2022	Variation	Var. %
Agriculture, Forestry and Fisheries	60	59	-1	-1.67%
Manufacturing activity	493	487	-6	-1.22%
Supply of Electricity, Gas, Steam and Air Conditioning	0	0	0	
Water supply; Sewerage, Waste Management and Remediation	6	7	1	16.67%
Construction	390	374	-16	-4.10%
Wholesale and Retail; Repair of Vehicles and Motorcycles	1.109	1.110	1	0.09%
Transport and Storage	110	118	8	7.27%
Accommodation and Food Services	194	191	-3	-1.55%
Information and Communication Services	194	209	15	7.73%
Financial and Insurance	78	91	13	16.67%
Real Estate	287	298	11	3.83%
Professional, Scientific and Technical Activities	963	1018	55	5.71%
Rental, Travel Agencies, Business Support Services	184	190	6	3.26%
Public Administration and Defence; Compulsory Social Insurance	2	2	0	0.00%
Education	50	56	6	12.00%
Health and Social Care	143	137	-6	-4.20%
Artistic, Sporting, Entertainment and Fun Activities	162	175	13	8.02%
Other Service Activities	530	525	-5	-0.94%
Extraterritorial Organisations and Bodies	2	2	0	0.00%
Total	4.957	5.049	92	1.86%

With regard to the economic fabric more in general, the current geo-political scenario poses some uncertainties that will lead to difficulties for companies and families. It will be necessary to implement suitable welfare initiatives for them.

The banking and financial sector in the Republic of San Marino⁵

The San Marino banking system consists of 12 authorized entities, including four banks, one financial company, three management companies, one insurance company, one payment institution and two foreign financial companies authorized to operate.

The system data published by the Central Bank of the Republic of San Marino (BCSM) shows that the system funding from customers (savings and indirect deposits) as at 31 December 2022, net of interbank deposits, reached € 5,761 million, an increase over the previous year (+4.46%), in a context in which the growth of indirect deposits was the driving force of the sector, even though the financial markets were negative, causing the depreciation of the financial instruments included in the aggregate. In particular, we see the positive impact represented by the issue of two bonds relating to public debt for €55 million and €87 million, maturing in 2037 and 2042 respectively, assigned in issue to the Asset Management Company formerly BNS S.p.A., in addition to the effect generated by market trends, with the consequent positioning of customers on indirect deposits, to the detriment of direct funding positions.

Gross loans decreased by 9.15%, driven by non-performing loans, down by 12.71%; the ratio of gross non-performing loans to gross loans stood at 23.63%, compared to 24.60% as at 31/12/2021.

With reference to overcoming the critical issues related to the system's NPLs, the activities still underway are aimed at finalizing the securitization transaction pursuant to Law No. 157/2021 close to the end of the first half of 2023, effectively responding to the calls on the subject made by both Fitch and the IMF, and allowing the San Marino banking system to be able to focus more on the characteristic management of credit.

Lastly, there was a consolidation of total assets, which grew by € 110 million, and an increase in shareholders' equity, which rose from € 277 million recorded as at 31 December 2021 to € 297 million (+7.22%); the equity/total assets ratio rose slightly to 6.99%.

Below are the figures for the San Marino banking system as at 31/12/2022, the latest available data.

SAN MARINO BANKING SYSTEM						
Figures in million of €	31/12/2019	31/12/2020	31/12/2021 (A)	31/12/2022 (B)	variation	variation
Collection of Savings	3.611	3.629	3.614	3.663	49	1.36%
Indirect deposits	1.623	1.669	1.901	2.098	197	10.36%
<i>of which: asset management</i>	263	321	381	340	-41	-10.76%
<i>of which: securities under administration</i>	1.255	1.232	1.359	1.622	263	19.35%
<i>of which: custodian bank activities</i>	105	116	161	136	-25	-15.53%
Customer Collection	5.234	5.298	5.515	5.761	246	4.46%
Interbank collection	0	0	1	6	5	500.00%
Total Collection	5.234	5.298	5.516	5.767	251	4.55%
Gross credits	2.636	2.500	2.175	1.976	-199	-9.15%
<i>of which: doubtful loans</i>	1626	1.588	1.320	1.111	-209	-15.83%
<i>of which: gross non-performing loans</i>	784	777	535	467	-68	-12.71%
Bad debts/Gross loans	29.74%	31.08%	24.60%	23.65%	-0.95%	-3.86%
Gross loans/Savings Collection	73.00%	68.89%	60.18%	53.96%	-6.22%	-10.34%
Gross doubtful Loans/Gross loans (NPL ratio)	61.68%	63.52%	60.69%	56.22%	-4.47%	-7.37%
Total Assets	4.206	4.181	4.135	4.245	110	2.66%
Net Assets	231	269	277	297	20	7.22%
Shareholders' equity/Total assets	5.49%	6.43%	6.70%	6.99%	0.29%	4.33%

⁵ Source: BCSM - Banking system statistical data as at 31/12/2022

REGULATORY DEVELOPMENTS

This section reports on ordinary legislation of interest to the banking, financial and, more generally, national sector, enacted during the year.

The main regulatory measures introduced in the San Marino legal system include:

Delegated Decree 24 January 2022 No. 8 - Ratification Delegate Decree 24 December 2021 No. 211	Financial provisions transposing Regulations (EU) No 648/2012, 909/2014, 2015/2365 and 2016/1011
Delegated Decree 24 January 2022 No. 9 - Ratification Delegate Decree 24 December 2021 No. 212	Modalities of reimbursement of amounts to the trustees of S.M.I. S.p.A
Delegated Decree 24 January 2022 No. 11 - Ratification of Delegate Decree 30 December 2021 No. 214	Amendments to Law No. 40 of 31 March 2014, as amended - Regulation of licenses for the exercise of industrial, service, craft and commercial activities
Delegated Decree 17 February 2022 No. 19	Transformation of the Public Pension Fund Segregation Company S.p.A. into a Special Purpose Trust
Delegated Decree 23 February 2022 No. 22	Transitional provisions for the presentation of the balance sheet of economic operators
Decree-Law No. 27 of 4 March 2022	Actions to ensure international peace and security and the extraordinary and temporary introduction of the Ukraine Emergency Provisional Residence Permit
Delegated Decree 7 March 2022 No. 29 - Ratification Delegate Decree 7 December 2021 No. 196	New Provisions on the Declaration of assets, financial assets and company shares held abroad - Amendments to delegate decree No. 199 of 13 November 2020
Decree-Law No. 35 of 15 March 2022	Restrictive measures implementing Decision 2014/145/CFSP of the Council of the European Union as amended and Council Regulation (EU) No.269/2014 of 17 March 2014
Decree - Law 22 March 2022 No. 41 - Ratification Decree - Law 4 March 2022 No. 27	Actions to ensure international peace and security and the extraordinary and temporary introduction of the Ukraine emergency provisional residence permit
Regulation 23 March 2022 No. 4	Provisions implementing the Decree-Law 'Actions to ensure international peace and security and the extraordinary and temporary introduction of the provisional residence permit for the Ukraine emergency'
Delegated Decree 23 March 2022 No. 51 - Ratification Delegate Decree 17 February 2022 No. 19	Transformation of the Public Pension Fund Segregation Company S.p.A. into a Special Purpose Trust
Decree - Law 6 April 2022 No. 58	Amendment of Decree-Law No. 56 of 29 March 2020 as amended and provisions for the use of teleconferencing/videoconferencing in meetings
Decree-Law No. 59 of 7 April 2022	Trade restrictive measures implementing Council Decision (EU) 2014/512/CFSP of the Council of the European Union and subsequent amendments and Council Regulation (EU) No. 833/2014 of 31 July 2014 and subsequent amendments
Decree-Law No. 60 of 8 April 2022	Financial restrictive measures implementing Council Decision (EU) 2014/512/CFSP of the Council of the European Union and subsequent amendments and Council Regulation (EU) No. 833/2014 of 31 July 2014 and subsequent amendments
Delegated Decree 11 April 2022 No. 61	Issue of Public Debt Securities - Republic of San Marino, fixed rate 0.80%, 2 June 2023
Decree - Law 28 April 2022 No. 67 - Ratification Decree - Law 15 March 2022 No. 35	Restrictive measures implementing Decision 2014/145/CFSP of the Council of the European Union as amended and Council Regulation (EU) No.269/2014 of 17 March 2014
Decree - Law 28 April 2022 No. 68 - Ratification Decree - Law 8 April 2022 No. 60	Financial restrictive measures implementing Council Decision (EU) 2014/512/CFSP of the Council of the European Union and subsequent amendments and Council Regulation (EU) No. 833/2014 of 31 July 2014 and subsequent amendments
Decree - Law 28 April 2022 No.70 - Ratification Decree - Law 6 April 2022 No. 58	Amendment of Decree-Law No. 56 of 29 March 2020 as amended and provisions for the use of teleconferencing/videoconferencing in meetings
Law 24 May 2022 No. 80	Rules to facilitate and simplify the start-up of economic activities
Law 24 June 2022 No. 94	Variation in the budget of the State and public entities for the financial year 2022 and amendments to Law No. 207 of 22 December 2021

Delegated Decree 6 July 2022 No. 100	Statutes of the Institute for Debt Management and Recovery - I.G.R.C. S.p.A.
Delegated Decree 4 August 2022 No. 112	Implementing Rules of the San Marino Card Project
Delegated Decree 8 August 2022 No. 113	Renewal of mortgage registrations
Delegated Decree 22 August 2022 No. 115	Amendments to Law No. 47 of 23 February 2006 - Company Law and subsequent amendments
Delegated Decree 15 September 2022 No. 130 - Ratification of Delegated Decree No. 112 of 4 August 2022	Implementing Rules of the San Marino Card Project
Delegated Decree 16 September 2022 No. 133	Renewal of mortgage registrations
Delegated Decree 5 October 2022 No. 141	Cross-border cash transfer
Delegated Decree 21 October 2022 No. 143 - Ratification of Delegated Decree 16 September 2022 No. 133	Renewal of mortgage registrations
Law 25 October 2022 No. 148	Variation to the budget of the State and of the enlarged public sector entities for the financial year 2022, amendments to Law No. 207 of 22 December 2021, as amended
Delegated Decree 15 November 2022 No. 152	Provisions on the procedures for accessing, keeping and consulting the Register of Companies referred to in Law No. 47 of 23 February 2006 - The Companies Act, as amended
Delegated Decree 5 December 2022 No. 161	Issue of Government Debt Securities - Republic of San Marino, fixed rate 1.50%, 31 December 2037
Delegated Decree 5 December 2022 No. 162	Issue of Government Debt Securities - Republic of San Marino, fixed rate 1.75%, 31 December 2042
Delegated Decree 14 December 2022 No. 166	Definition of the maximum spread and nominal interest rate to be applied until 30 September 2023 to the loans assisted by the State contribution referred to in Law No. 44 of 31 March 2015, as amended
Delegated Decree 16 December 2022 No. 168 - Ratification of Delegated Decree No. 161 of 5 December 2022	Issue of Government Debt Securities - Republic of San Marino, fixed rate 1.50%, 31 December 2037
Delegated Decree 16 December 2022 No. 169 - Ratification of Delegated Decree No. 162 of 5 December 2022	Issue of Government Debt Securities - Republic of San Marino, fixed rate 1.75%, 31 December 2042
Law 23 December 2022 No. 171	State and Public Entity Budgets for the Financial Year 2023 and Multiannual Budgets 2023/2025

With regard to the specific regulatory production of the Central Bank of the Republic of San Marino in the year 2022, the following measures should be noted:

The Financial Intelligence Agency has not issued any new regulations for financial entities in the year 2022.

CASSA DI RISPARMIO DI SAN MARINO - CRSM

CRSM was established back in 1882, founded by the Unione e Mutuo Soccorso Society and is the first and oldest banking institution in the Republic of San Marino. The idea for its constitution dates back to 22/01/1881, when the Regency proposed to create it *"observing how very useful a savings bank is in every place for individual citizens, and how useful it would be to establish one in this Republic as well"*.

Since 2001, CRSM has become a public limited company, a corporate structure best suited to meet its expansion and development goals.

The Eccellentissima Camera's first entry into the company structure dates back to 2012, a shareholding that became 100% on 27 November 2019.

CRSM is now wholly owned by the Ecc.ma Camera della Repubblica di San Marino.

THE BANK'S PRESENCE IN THE TERRITORY

The channels through which CRSM carries out its activities are represented by:

- 11 counters (for 9 branches) and two 'detached' counters equipped with self-service machines at the Azzurro and Atlante shopping centers and at the San Marino Outlet Experience;
- Welly remote banking for businesses, about 1,600 users;
- Welly internet banking for private customers, about 8,300 users;
- users who downloaded WellyApp, over 7,000;
- 15 ATM stations of which 4 are multifunctional evolved;
- 7 self-service tills;
- 715 POS terminals of which 585 are also Smac-enabled;
- 59 Virtual POS.

The following table shows the location of the branches in the San Marino territory.



EXISTENCE OF BRANCHES ABROAD

There are no branches of the Bank outside San Marino territory.

MAIN ACTIONS DURING 2022

For CRSM, 2022 is the year of reaching its 140th financial year in business and the celebration of this important milestone. After approving its first profitable financial statements, after eleven consecutive financial statements closed with a loss, the consolidation action envisaged in the business plan and aimed at maintaining the bank's profitability over time continued.

With regard to the activities of the 'core' bank, actions continued in order to develop commercial relations aimed at greater diversification of customers in relation to their country of residence and sector of economic activity.

With regard to commercial actions, carried out consistently with the Industrial Plan, it is important to highlight the progressive and continuous realignment of funding rates to market values, albeit in a difficult context, caused by the strong inflationary pressures determined by the ongoing Russian-Ukrainian conflict. These actions did not penalize funding volumes which, on the contrary, showed an increase.

With regard to actions on NPLs, in order to contain legal expenses and, at the same time, accelerate the recovery process, the bank promoted initiatives aimed at defining out-of-court agreements. On the other hand, the bank continued its activities to monitor contractual relations with suppliers in the NPL Area, namely lawyers and professionals in the sector, in order to reduce the economic impact of expenses on recovery values, bringing them in line with best *practices*. In addition, activities continued with a view to the sale of NPL loans to the system vehicle, governed by the recent legislative enactment (D.D. no. 100/2022), with the sale process expected to be completed in 2023.

With regard to the credit sector, the bank was strongly committed to finding new customers for financial support, maintaining a focus on the diversification of the sectors in which the companies operate and on their solidity, with the aim of obtaining an increase in the interest margin. In addition, the review of entrusted positions continued, in order to ensure the best possible control over credit aimed at the early monitoring of possible anomalies, with early implementation of controls where deemed necessary.

However, the segment on which the actions most relevant to the Bank have been consolidated is certainly that of the Delta Group.

In fact, following the exercise of the option set forth in Article 2.7 of the Delta Group Restructuring Agreement pursuant to Article 182bis of the Italian Bankruptcy Law, hereinafter referred to as the '182bis Agreement' for brevity, and the offer made by CRSM on the residual customer receivables of the Group's former financial companies, the first half of the year saw the acquisition, through the constitution of a securitization vehicle, of almost all of said receivables.

The vehicle identified, "Heritage SPV", completed a bond issue consisting of a single class of securities, with legal maturity on 30/9/2033. The value of the bond is a nominal € 42.3 million against receivables from customers for € 134.5 million, of which € 12.8 million from Carifin Italia S.p.A. in voluntary liquidation, € 35.3 million from Plusvalore S.p.A. in voluntary liquidation, and € 86.4 million from Detto Factor S.p.A. in voluntary liquidation.

For the remaining part of the acquired portfolio, referring to securities and real estate leasing loans, it was necessary to initiate a different acquisition project, which will be fully defined in 2023, upon completion of which the product companies will no longer have loans to customers, as originally referred to in the 182-bis Agreement, recognized in their balance sheets.

With reference to the Delta Group, CRSM's Board of Directors, with the involvement of its relevant structures, has also given impetus to the complete reorganization of the Group by reorganizing and streamlining the management and control bodies of the subsidiaries and investee companies with the aim of reducing costs and maximizing the possible recovery for CRSM. In this regard, we acknowledge the liquidation of River Holding S.p.A. and Delta S.r.l., which was finalized at the same time as the respective shareholders' meetings to approve the 2021 financial statements.

Following the aforementioned action, on 30/11/2022, SGCD, Società Gestione Crediti Delta S.p.A. presented to all participating creditors the document 'Estimate of Delta Group's Residual Liquidity and Residual Assets', drafted with the approval of the auditing firm E&Y. The document contains assessments of the realization scenarios

of the Delta Group for all participating creditors and, consequently, also for CRSM. The document declines the realization hypotheses for CRSM and for the adhering creditors assuming two scenarios named "*worst*" and "*best*". In neither of the two scenarios under consideration, Sviluppo Investimenti Estero S.p.A., a wholly-owned subsidiary of CRSM, but holder of the participating rights in the Delta Group, is the recipient of liquidation assets (see Article 6.3 of the 182-bis Agreement, letter f). As a consequence of the foregoing, the Board of Directors of SIE, in agreement with the parent company CRSM, commenced a series of verifications, as well as jointly commissioned CRSM a specific tax opinion and a legal opinion, both conferred to professional firms of high standing, as well as - limited to tax matters.

The Board made a successful appeal to the Financial Administration, after which, having ascertained that from the liquidation of the Group, even in the case of the scenario defined as "*best*", SIE would not receive any sum for the ownership of the shares, the Board of Directors of SIE, proceeded with the full write-down of the value of the investment in Delta S.r.l. in the 2021 financial statements. CRSM, holder of a receivable from SIE, which had been disbursed at the time in order to collate any shareholding rights in respect of the Delta Group, ascertained that the amount recorded - illo tempore - under item "A3. ter Receivables indirectly connected to the restructuring of the Delta Group", due to the contents of the document "Estimate of Residual Liquidity and Residual Assets of the Delta Group", would be recognized to CRSM not because of the normal chain of shareholding, but exclusively due to the provisions of Article 6.3 of the 182-bis Agreement. This resulted in a necessary and dutiful reclassification to the item 'Other Assets' of the amount previously entered under 'Receivables', after affecting the item 'Participations', as better specified at the end of the table '4.3 Situation of cash receivables from customers' in the dedicated paragraph of the explanatory notes.

Moreover, in 2022, with the aim of rationalizing the structure of the CRSM Group by retaining only shareholdings of a strategic and/or operational nature, against a suitable purchase offer made by a San Marino entrepreneurial group, the entire shareholding in Carisp SG S.p.A. was sold, which was finalized last November. The effects of the sale are analytically detailed in the appropriate sections of the explanatory notes.

In addition, with a resolution of the Board of Directors of CRSM dated 24/10/2022 and of the Board of Directors of Carisp SG S.p.A. dated 28/10/2022, the early liquidation of the closed-end NPL funds - Asset NPL and AB NPL - was sanctioned, as the sole participant CRSM no longer met the conditions, including economic conditions, to keep the funds alive.

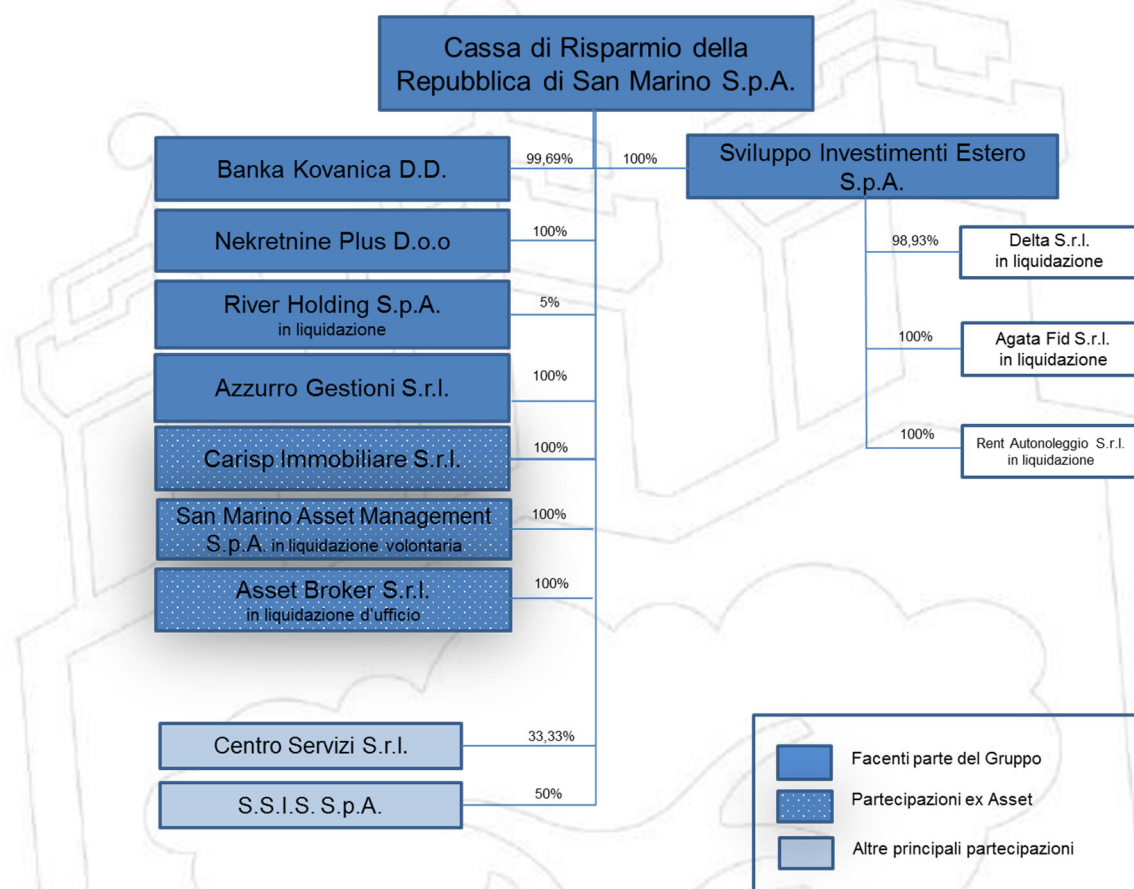
In order to finalize the early liquidation of the closed-end funds, CRSM made a bulk acquisition of identifiable legal relationships, finalized in December 2022, involving NPL loans and debt securities, which are now recognized in the bank's balance sheet, but will be transferred to the vehicle, which will be in place in 2023.

GROUP STRUCTURE AND SHAREHOLDING PERFORMANCE

CRSM is the parent company of the 'Cassa di Risparmio Group', which is governed by BCSM Regulation No. 2014 - 03.

CRSM's directly held companies included in the Group's perimeter are 8, including a Croatian bank and the holding company that in turn holds the interest in Delta S.r.l. under liquidation, 'Delta S.r.l.'. There are 2 associated companies and they provide support services to the banking business, while the other investee companies (2) include BCSM, BKN 301 S.p.A. and SGCD S.p.A., the latter held as a result of 182-bis Agreement pertaining to the Delta Group.

The structure of the main shareholdings held directly by CRSM as at 31 December 2022 is broken down as follows.



In liquidazione = in liquidation/ in liquidazione volontaria = under voluntary liquidation
 Facenti parte del gruppo = Group members / partecipazioni ex asset = ex asset participations
 Altre principali partecipazioni = other main participations

CRSM performs coordination and control activities over the entire Group. Following the installation of the new Board of Directors in June 2020, the governance of the Delta Group's affiliated companies was supervised, with particular regard to Sviluppo Investimenti Estero S.p.A. and River Holding S.p.A. (the latter being an indirect subsidiary).

In November 2022, Carisp SG S.p.A. was sold to a San Marino business group and is therefore no longer part of the Cassa di Risparmio Group.

In order to comply with the regulations in force regarding the reduction of all costs of state-controlled companies, CRSM has long formally required its subsidiaries to pursue a goal of containing all administrative expenses, consistent with the provisions of Article 23 of Law No. 157/2019, as amended, with

consequent decrease in the *cost/income* ratio, in line with the Parent Company's implementation, and periodically monitors the results.

Group companies

Banka Kovanica D.D. (99.69% owned), headquartered in Varaždin (Croatia)

Banka Kovanica D.D. is a commercial bank under Croatian law, subject to supervision by the Croatian National Bank.

In the year under review, the subsidiary continued on its positive path, recording yet another profitable closing.

In detail, it recorded an operating result and a pre-tax result of, respectively, € 5.2 million (+ 3.3%) and € 3.6 million (- 2.1%), in line with the excellent results of the previous year, which had benefited from the suspension of the contribution to the interbank deposit protection fund. Banca Kovanica posted a pre-tax ROE of 16.3%, exceeding budget targets. Profitability is supported by solid core revenues, interest and commission income, and high operational efficiency, despite the environment characterized by inflationary pressures and the need for continuous and increasing investments in order to remain competitive and, in any case, compliant with regulations (e.g. migration to the euro from 1/01/2023).

The bank also continued to register further significant improvement in key credit metrics, at the same cost of risk; in particular, Net NPL, Stage-2 and Texas ratios were even lower than the average for the domestic banking system and *best-in-class* in the sample of small banks.

As at 31 December 2022, total assets stood at € 211.1 million (+ 3%) and equity at € 23.2 million, having paid out a dividend of about € 900,000 to the Parent Company in 2022. The total capital adequacy ratio stands at 17.3% (19.4% including the 2022 result), against a growth of over 10% in net loans, fuelled by the release of currency reserves for Eurozone membership.

In order to comply with the requirements of the annual supervisory review and assessment process, both in terms of capital adequacy and to cope with the additional systemic risk, and given the growing post-pandemic risks, in agreement with the Parent Company, Bank Kovanica extended the maturity date of two hybrid capital instruments in the total amount of € 3.1 million, now both subscribed by CRSM, to recover additional capital against the planned increase of the countercyclical capital buffer to 1% from 31/12/2023.

In accordance with the Business Plan 2022 - 24, in maintaining diligent cost discipline and high profitability of equity, Banka Kovanica confirms the business model specializing in consumer credit with sustained, yet selective growth in lending over the plan horizon, both to optimize risk-weighted assets and to diversify asset classes, with an increasing incidence of corporate. In particular, during the year under review, Banka Kovanica focused on loans to companies backed by state guarantees as part of programmes for the financing of fixed and working capital, fuelled by European funds. For the future, the new production of consumer credit will continue to focus on the assignment of one-fifth of salary and pension with a preferential weighting factor in accordance with the amended Art. 123 of Regulation (EU) No 575/2023 or with a mortgage guarantee.

The Business Plan update was planned after the completion of the 2022 budgeting process, reflecting a profoundly changed macroeconomic and geopolitical environment, as well as heightened supervisory expectations in the face of the likely recessionary scenario.

Nekretnine Plus d.o.o. (100% owned), based in Varazdin (Croatia)

A company incorporated under Croatian law by CRSM in 2013, its object is the recovery, including judicial recovery, of debts owed by Croatian debtors largely secured by mortgages on assets located in Croatia.

During the year 2022, there were no extraordinary management events and the company continued its credit control, implemented with the support of the Parent Company, realizing collections of € 983 thousand during the year, mainly through the sale of assets and two agreements for the disposal of impaired receivables.

CRSM in the first half of 2022, at the time of the approval of the 2021 financial statements, finalized a partial waiver of the receivable due from the subsidiary for a total of €9.8 million, appropriately set aside in previous years, in order to restore positive equity and, consequently, to ensure business continuity.

The 2022 financial year closed with a loss of € 316,000, a clear improvement over the previous year (56%) and positive net assets.

Azzurro Gestioni S.r.l. (100% owned), based in the Republic of San Marino

Azzurro Gestioni S.r.l. has taken an active role in the management of the Azzurro Shopping Centre, aimed at restructuring the Centre and upgrading the spaces within it, with a view to leasing or selling the premises owned. This is because CRSM owns 72.6% of the shares in the Centre (including, for about half of the above percentage, performing *leases*).

During the year 2022, the subsidiary was engaged in activities to upgrade and relaunch the Centre, aimed at securing the facilities and carrying out the extraordinary maintenance necessary to restore its full functionality. The main contracts in place with suppliers were also reviewed, with a view to containing costs, and making the Centre safe in terms of fire, electrical and video surveillance systems, extraordinary maintenance of the roof, and pruning and clearing of greenery. Measures are being considered for a *restyling* of the entire shopping centre.

Also as part of a modernization of the facility, the company is considering investing in *green* by means of photovoltaic systems with the aim of saving on utility consumption, safeguarding the environment through the use of energy from renewable sources, thus ensuring constant efficiency over time. The company closes the balance sheet at breakeven.

San Marino Asset Management S.p.A. in voluntary liquidation (100% owned), with registered office in the Republic of San Marino

San Marino Asset Management S.p.A. (hereinafter also briefly referred to as SMAM) was the financial and trust company of the Asset Banca group, acquired by CRSM with a deed of sale of assets and liabilities, finalized on 27/10/2017. With a view to reorganizing the shareholding structure, CRSM, as sole shareholder, resolved on the voluntary liquidation of the company, which, as of today, has essentially come to an end; in fact, on 20/12/2021, the Shareholders' Meeting resolved to approve the final liquidation financial statements, mandating the Liquidator to proceed with the request to remove the company from the public register.

In order to allow the completion of the aforesaid voluntary liquidation procedure and the subsequent removal from the Company Register, it is necessary to complete - as it is still in progress - the assignment in favor of CRSM of the receivable that SMAM has from Equitalia Giustizia S.p.A., a receivable originating from the restitution of sums of money seized and then confiscated as part of the complex judicial affair concerning Asset Banca.

Asset Broker S.r.l. in liquidation (wholly owned subsidiary), based in the Republic of San Marino

The company Asset Broker S.r.l., incorporated on 31/08/1998, registered under number 1783 in the Register of Companies of the Republic of San Marino, was acquired by CRSM in October 2017, as a result of the Deed of Transfer of the legal relationships of Asset Banca S.p.A. in LCA to CRSM. It has never carried out operational activities since. Prior to the completion of the aforesaid Deed, the Commissioner of the Law, by Decree dated 12/09/2017, had ex officio ordered the liquidation of the company, providing for the appointment of the liquidator.

Carisp Immobiliare S.r.l. (100% owned), based in the Republic of San Marino

Carisp Immobiliare S.r.l. manages a lot of properties that were formerly Asset Banca branches, specifically the premises located in Via Tre Settembre and at Central Square in Domagnano, as well as a villa in Formello (RM). During 2022, when the 2021 financial statements were approved last June, the administrative body was replaced.

The company's activities, in continuity with previous years, focused not only on the operational management of the real estate owned, but also on the management of negotiations aimed at the possible sale of the same, as well as the search for additional sources of profitability for the real estate. In fact, the company can currently count on reduced sources of income against determined fixed costs.

However, since the properties owned have specific features that distinguish them and make them attractive to a high target market, CRSM is working to find potential buyers. In this regard, since for one of them - acquired, like the others, on the occasion of the sale of assets and liabilities en bloc by Asset Banca in LCA - criticalities were found ab origine and therefore not attributable to CRSM, a path has been started to achieve building conformity, given the interest found on the market for the said property.

The 2022 result shows a loss of € 272,000, mainly attributable to depreciation of the value of owned real estate.

Sviluppo Investimenti Estero S.p.A. - hereinafter also referred to as SIE - (100% owned), based in Bologna

The company is a wholly-owned subsidiary of CRSM and its object is the management of investments in Italian companies. In particular, it owns 98.93% of Delta S.r.l..

The subsidiary has no direct employees and does not record any significant operating costs other than administration, legal costs and costs relating to a property lease that ended in September 2022.

It is administered by a Board of Directors made up of three members appointed in July 2020 who will remain in office until the Shareholders' Meeting convened for the financial statements as at 31 December 2022. As far as operating activities are concerned, these concern the management of the shareholding in Delta S.r.l., the supervision of the voluntary liquidation of Rent Autonoleggio S.r.l., which has reached its final stages, and of Agata Fid S.r.l., the management of the property in Bologna already leased and rented to third parties, and finally, through the specifically appointed lawyers, the activities for the recovery of receivables recorded in the financial statements.

With regard to the ongoing liquidations, the procedures for both subsidiaries are essentially complete and are expected, subject to the general context, to be finalized in the coming months.

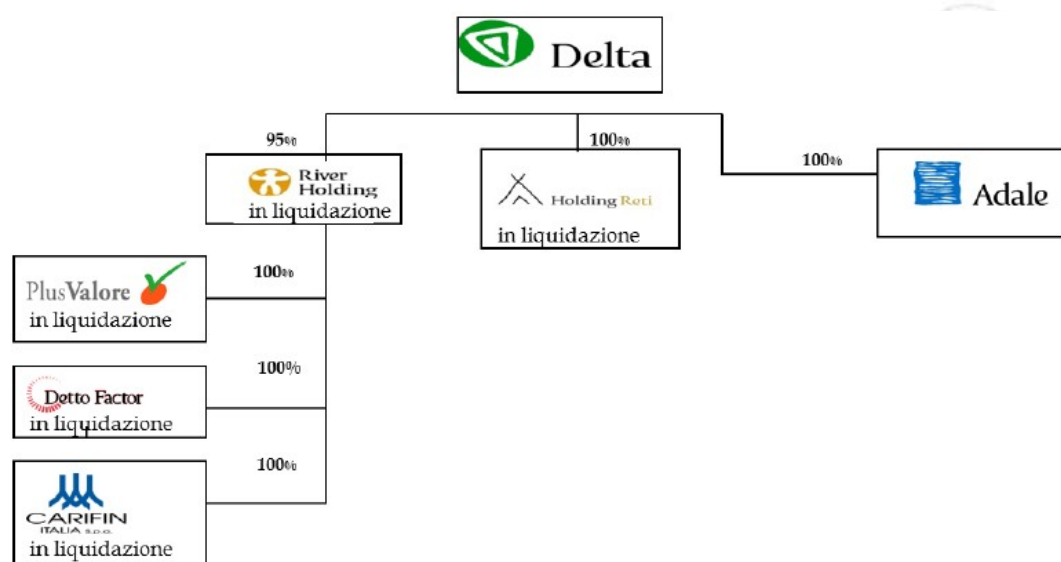
The company's debt is mostly concentrated in CRSM, and the financial commitment necessary to support SIE financially will be confirmed for 2022 as well. The 2021 Financial Statements, approved by the Board of Directors on 22/12/2022, showed a negative result of € 59.72 million, mainly due to the full write-down of the equity investment held in Delta S.r.l. (€ 58.5 million), the write-down of intercompany loans in the amount of € 140,000, and the financial lease payments for the building in Via Irnerio No. 43 in Bologna in the amount of approximately € 1 million.

The Budget 2022, recently approved by the administrative body, closes with a loss of about €1.05 million, which CRSM, as the sole shareholder, will be called upon to cover by waiving the receivable from the investee, which has already been fully written off.

Main shareholding held through SIE: the Delta Group

CRSM exercise, through its Italian subsidiary SIE S.p.A. with sole shareholder, the management and coordination over Delta Srl in liquidation and, as a consequence, over all the companies directly or indirectly controlled by it.

On 31/12/2022, the Delta Group consists of:



The Delta Group has now reached the final stage of the 182-bis Agreement; the former Financing Companies having sold most of their residual receivables from customers and the sale of the remaining Leasing Receivables is being finalised. Therefore, now the objective of the administrative bodies and management of Delta S.r.l. in liquidation remains the completion of the liquidation of the former Finanziarie themselves as well as of the other Group companies and the valorisation of the remaining assets of the entire Group (mainly: real estate assets).

The organizational structure was further downsized in terms of its workforce compared to the first half of 2022, in particular, following a further redundancy incentive campaign with a consequent trade union agreement, which took place between January and June 2022, an additional 9 employees left, with incentives of between 7 and 8 months' salary.

This is both in consideration of the already announced reduction in collection and recovery activities, which are now carried out only in a residual manner for the portfolios of the former Financial companies (subject to sale in January 2022), for part of the Rubicon portfolio (through a "Mandate" contract, no longer active as of 12/10/2022, with CCM) and for part of the Cart4 portfolio (sold to SPV Project ABS), and of the future outlook for River Holding.

The Delta Group as a whole had 25 employees as at 31.12.2022.

River Holding S.r.l. in liquidation has 10 employees, while Delta was placed in liquidation and also became a S.r.l., and has 12 employees; Adale Sistemi S.r.l. 2 employees, and, the only one among the former Finanziarie; Plusvalore 1 employee, entirely seconded to SGCD.

As already described in June 2022, the 2021 financial year had closed with a loss and was mainly affected by personnel costs and the inevitable facility management charges.

Under the aegis of the liquidator, the company River Holding, which has already been put into liquidation, is planning a very strong cost containment plan for the year 2022, both on personnel and structural costs, and should pursue these objectives.

The planned redundancy procedure, assumed by the end of 2022, was initiated on 2 February 2023 and will lead to the closure of River Holding's operations by 31 December 2023 and a total workforce of 15 employees at the end of 2023.

Associated and other investee companies

Centro Servizi S.r.l. (33.33 % owned), based in the Republic of San Marino

The main functions performed by the investee company concern the POS and ATM Terminal Manager (GT) service - dialogue with authorizing bodies and management of accounting flows - and the design and implementation of solutions for the management of payment transactions with physical and virtual POS and ATM withdrawals. Moreover, exclusively for CRSM, Centro Servizi manages the San Marino debit card payment circuit CARTAZZURRA.

The year 2022 was a year of great satisfaction for the company, which, by virtue of its expertise, played a leading role in important and innovative development projects, which are described below:

- the replacement of most of the SMaC cards in circulation that were due to expire in October 2022. In this context, Centro Servizi supplied the new batches of cards after designing and verifying the customization methods, then worked with the Secretariat of State, the banks and the Post Office to enable a smooth replacement despite the high number of cards and the substantially short time frame;
- the migration of the entire managed POS fleet to new-generation terminals equipped with the Android operating system with a graphical user interface that allows a quick and easy shopping experience. Over 2,000 POS terminals were replaced in just a few, providing merchants with the necessary support;
- the dematerialization of the SMaC card, thanks to which it is now possible to make payments using only a mobile phone. This development, which was carried out by exploiting the potential made available by Android POS terminals, introduces an innovative method of payment made entirely by mobile phone, in the San Marino SMaC circuit;
- the activation of the SMaC card reload functionality on ATM terminals operated by Centro Servizi. Thanks to this functionality, cardholders can top up their cards completely independently, using ATM terminals operated by Centro Servizi and their own bank payment cards.

The company's Annual Report 2022 shows a profit for the year of about € 159,000, which is also the result of positive returns from projects implemented during the year.

S.S.I.S. S.p.A. (50% owned), based in the Republic of San Marino

The company provides facility management services for information systems, technological infrastructures and centralized services, as well as services for dematerialization of paper documents and electronic and paper storage of archives.

SSIS is equipped with the highest levels of data security and protection and guarantees compliance with data privacy regulations, with information being kept within the Republic of San Marino. In addition to the processing and telecommunication infrastructure management activities, provided both to its member banks and customers (Centro Servizi S.r.l., BKN301 S.p.A., SM Life S.p.A.), SSIS provides back office services for portfolio management, physical archiving and document search to the entire San Marino banking system as well as to BCSM.

The company, by virtue of the specialization of its resources, guarantees the constant adaptation of technologies both in terms of security and in terms of the continuous evolution of the infrastructure with respect to market standards. In the financial year 2022, the company participated in the project group and worked to prepare the technological infrastructure on which CRSM's new banking information system will reside. The work carried out included the commissioning of the new processing systems, with their associated storage units, as well as the design of the network infrastructure, to ensure data security and confidentiality. In addition, a new proprietary software system was developed that allows the digitization and indexing of paper files containing heterogeneous documents, which will be used for the electronic management and archiving of credit files. The product also has interesting application potential in other areas. Furthermore, in collaboration with a specialized technical partner, it has developed and launched

a new hosting and housing service dedicated to non-banking companies, which was presented to the market towards the end of the year and from which interesting developments are expected.

In 2022, new third-party customers were acquired for back office and archive services.

The economic result as at 31 December 2022, negative in the amount of € 92 thousand, was influenced by several factors, including the sale of the assets acquired for the Cabel project and not suitable for the new projects underway (- € 69 thousand), the unexpected surge in the costs of production factors (electricity in primis) as well as the inflationary flare-up recorded in the second half of the year; It should be noted that it was not possible to cope with this phenomenon by adjusting the fees paid by customers, since they are contractually established, in a fixed amount, at the beginning of the year. However, as of 1/01/2023, the fees for the services applied have already been adjusted to the new costs.

Interesting contacts are also underway to develop the company's business, which, by capitalizing on the factors of technological excellence and technical expertise of its employees, may allow the business to be expanded into other customer segments. This leads us to express an optimistic forecast regarding the achievement of an adequate level of profitability.

BKN301 S.p.A. (4.35% owned), based in the Republic of San Marino

The company was established - with BCSM authorization dated 3/11/2015 - as a San Marino Payment Institute with the aim of providing issuing and acquiring services for credit and debit card payments.

During the year, the company implemented the system for accepting credit card payments on self-service devices connected to petrol stations. The intervention made it possible to provide an important service to fuel retailers and was financed by BKN301. It also saw the development of the MC Debit product in San Marino, with the cooperation and support of MasterCard, as well as launching the first transactions with SM Wallet. It also implemented the 'wordline integration' and 'Damen Wallet' projects, as well as launching a blockchain project using utility tokens.

The company's result is affected by the start of projects that will be realized for the first time in 2023, and the assumptions for the preliminary results for 2022 predict a loss.

Relations with subsidiaries and the controlling shareholder

Specific contracts for the provision of services are in place with the subsidiaries Centro Servizi S.r.l. and SSIS S.p.A..

Until the end of November 2022, activities continued for the benefit of the subsidiary Carisp SG, governed by special outsourcing contracts for (i) the delegated management of control activities (Internal Auditing, Compliance, Risk Management, RIA), (ii) the provision of general services (legal advisory accounting consultancy and Central Risk Service, IT consultancy and assistance, mailing service, purchasing and logistics), (iii) communication and marketing activities, and finally, (iv) personnel administration and management activities, albeit with a significant rationalization of tasks.

Transactions with the controlling shareholder and with subsidiaries are part of the Bank's ordinary operations, conducted on market terms.

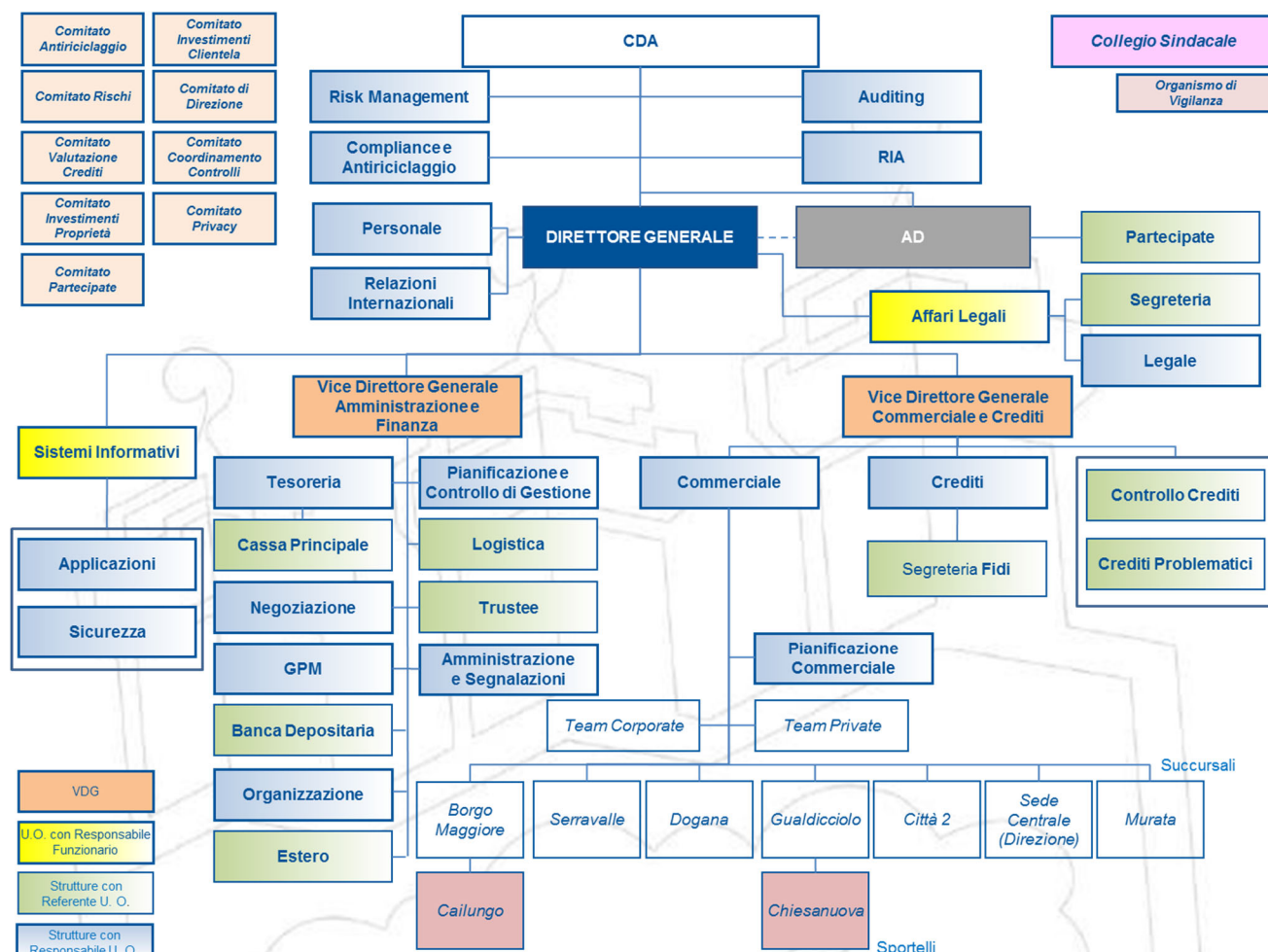
In particular, relations with the Most Excellent Chamber of the Republic of San Marino - the sole shareholder of CRSM - are governed by market terms and conditions and are represented in the receivables and payables with customers for relations with counterparties traceable to the State, or in the guarantees issued in the interest of third parties and in favor of CRSM in relation to Subsidized Building and Agricultural Loans.

See Tables 6.6 and 6.7 in the Notes to the Financial Statements for details of financial transactions with investee companies.

GOVERNANCE AND ORGANIZATIONAL STRUCTURE

Organizational structure chart

The organizational structure chart in force as at 31.12.2022 is shown below:



The current organizational chart shows important changes compared to the previous year. Its update, carried out following the appointment of the new Director General as Head of the Executive Structure, has the following aims:

- Pursue greater functional clarity, by overcoming the subdivisions into Departments, Areas, Offices and Services now redefined as Organizational Units, differentiated on the basis of the reference figure of the same, also for the purpose of immediately identifying the O.U. responsible and the functional reports;
- reallocate the powers of delegation and the Chief Executive Officer and Director;
- placing on the General Manager's staff the O.U.s relating to activities and projects considered - from time to time - relevant and strategic for the Bank.

As a result of the above-mentioned assumptions, the Applications O.U. was established, incorporating the activities previously carried out by the Organization Office, reporting to the Information Systems O.U.. The activities of the former Legal and Secretarial Office have also been separated into the Secretarial O.U. and the Legal O.U., reporting to the Legal Affairs O.U. The functions previously performed by the Property Management Service were transferred to the Logistics O.U..

The reorganization process also involved the renaming of certain O.U.'s as can be seen in the organization chart.

HUMAN RESOURCES

Over the last five years, CRSM has seen a major reorganization of its workforce, also as a result of Law no. 23/1977 and subsequent amendments and additions, which has allowed the bank to pursue a workforce reduction activity that from 2018 to 2022 has affected a total of 38 employees. With regard to the 5 employees who were therefore able to benefit from the facilities provided for social shock absorbers and early retirement benefits, one of them permanently terminated his employment with CRSM on 30/11/2022, while the remaining 4 employees will terminate their employment on 28/02/2023.

As at 31 December 2022, the trend in the number of resources recorded 2 leavers, 8 hires, of which 5 on fixed-term contracts, aimed at strengthening the commercial structure due to the development projects of new innovative and technological services, and 3 on permanent contracts, including the General Manager and two resources acquired through a direct transfer from the investee company Carisp SG, recently sold to third parties.

As of 31 December 2022, therefore, the actual workforce totaled 105 employees, an increase of 6 compared to 31 December 2021.

HUMAN RESOURCES												
	2019	%	2020	%	2021	%	2022	%	variations 2022-2021		variations 2022-2019	
Officials/Managers	4	3.10%	4	4.00%	4	4.00%	5	4.00%	1	25.00%	1	25.00%
Central unit employees	63	49.60%	60	59.40%	60	60.60%	64	60.60%	4	6.67%	1	52.80%
Auxiliaries	2	1.60%	1	1.00%	0	0.00%	0	0.00%	0	0%	-2	1.40%
Office employees	69	54.30%	65	64.40%	64	64.60%	69	64.60%	5	7.81%	0	58.50%
Commercial Network employees	58	45.70%	36	35.60%	35	35.40%	36	35.40%	1	2.86%	-22	41.50%
Open-ended resources	103	81.10%	101	100.00%	98	99.00%	100	99.00%	2	2.04%	-3	80.30%
Fixed-term resources	24	18.90%	0	0.00%	1	1.00%	5	1.00%	4	400.00%	-19	19.70%
Total employees	127	100.00%	101	100.00%	99	100.00%	105	100.00%	6	6.06%	-22	100.00%

Analyzing the distribution of employees by age group, it can be seen that the workforce shows a concentration of resources in the range between 46 and 50 years of age and, more generally, a concentration of average age in the range between 36 and 55. This is the effect of a process that has seen the access, in recent years, of the over-55s to early retirement benefits, together with a reduced recourse to new hires of junior resources.

DISTRIBUTION BY AGE GROUP								
YEARS	2019		2020		2021		2022	
	Staff no.	%	Staff no.	%	Staff no.	%	Staff no.	%
up to 21 years	0	0.0%	0	0.0%	0	0.0%	0	0.0%
from 22 to 25 years	1	0.8%	0	0.0%	1	1.0%	0	0.0%
from 26 to 30 years	2	1.6%	0	0.0%	0	0.0%	2	2.0%
from 31 to 35 years	11	8.7%	7	6.9%	4	4.0%	4	4.0%
from 36 to 40 years	28	22.0%	18	17.8%	18	18.2%	16	16.2%
from 41 to 45 years	31	24.4%	29	28.7%	28	28.3%	23	23.2%
from 46 to 50 years	20	15.7%	18	17.8%	22	22.2%	27	27.3%
from 51 to 55 years	27	21.3%	21	20.8%	23	23.2%	23	23.2%
from 56 to 60 years	7	5.5%	8	7.9%	3	3.0%	10	10.1%
over 60 years	0	0.0%	0	0.0%	0	0.0%	0	0.0%
TOTAL	127	100.0%	101	100.0%	99	100.0%	105	106.1%

As far as the schooling rate is concerned, the percentage of employees with a university degree stands at 46%, an increase compared to previous years, mainly due to the reduction in the number of personnel with a high school diploma and the hiring of personnel with mainly university education, but also due to the entry of new resources with specialized skills supported by a university degree.

SCHOOLING								
QUALIFICATION	2019		2020		2021		2022	
	Staff no.	%	Staff no.	%	Staff no.	%	Staff no.	%
Degree	46	36%	40	40%	44	44%	48	46%
Secondary school	78	61%	59	58%	55	56%	57	54%
Lower secondary school	3	2%	2	2%	0	0%	0	0%
TOTAL	127	100%	101	100%	99	100%	105	100%

An analysis of the data shows that the majority of graduates, 46% of the total workforce, are aged between 51 and 55 (27.1% of total graduates), followed by the 41 to 45 age range (25% of total graduates). Compared to the previous year, the percentage of graduates in the 26-30 age bracket increased, which was recorded as a result of new hires in 2022.

GRADUATES BY AGE GROUP												
YEARS	2019			2020			2021			2022		
	Staff no.	of which graduates	%	Staff no.	of which graduates	%	Staff no.	of which graduates	%	Staff no.	of which graduates	%
up to 21 years	0	0	0.0%	0		0.0%	0	0	0.0%	0	0	0.0%
from 22 to 25 years	1	0	0.0%	0		0.0%	1	1	2.3%	0	0	0.0%
from 26 to 30 years	2	1	2.2%	0		0.0%	0	0	0.0%	2	3	6.7%
from 31 to 35 years	11	3	6.5%	7	2	5.0%	4	1	2.3%	4	2	4.4%
from 36 to 40 years	28	14	30.4%	18	11	27.5%	18	8	18.2%	16	6	13.3%
from 41 to 45 years	31	12	26.1%	29	13	32.5%	28	14	31.8%	23	12	26.7%
from 46 to 50 years	20	12	26.1%	18	8	20.0%	22	11	25.0%	27	10	22.2%
from 51 to 55 years	27	3	6.5%	21	5	12.5%	23	8	18.2%	23	13	28.9%
from 56 to 60 years	7	1	2.2%	8	1	2.5%	3	1	2.3%	10	2	4.4%
over 60 years	0	0	0.0%	0		0.0%	0	0	0.0%	0	0	0.0%
TOTAL	127	46	100.0%	101	40	100.0%	99	44	100.0%	105	48	106.7%

Approximately 1,600 hours of training were provided in 2022, or an average of about 15 hours per employee per year, a significant increase over the previous year, which was adversely affected by the pandemic situation.

The bank, in compliance with current anti-money laundering legislation, has provided the usual annual training involving all employees. Similarly, a similar procedure was carried out with reference to the legal provision represented by the Privacy Law, in relation to which all staff members took part in specific training on the protection and processing of personal data.

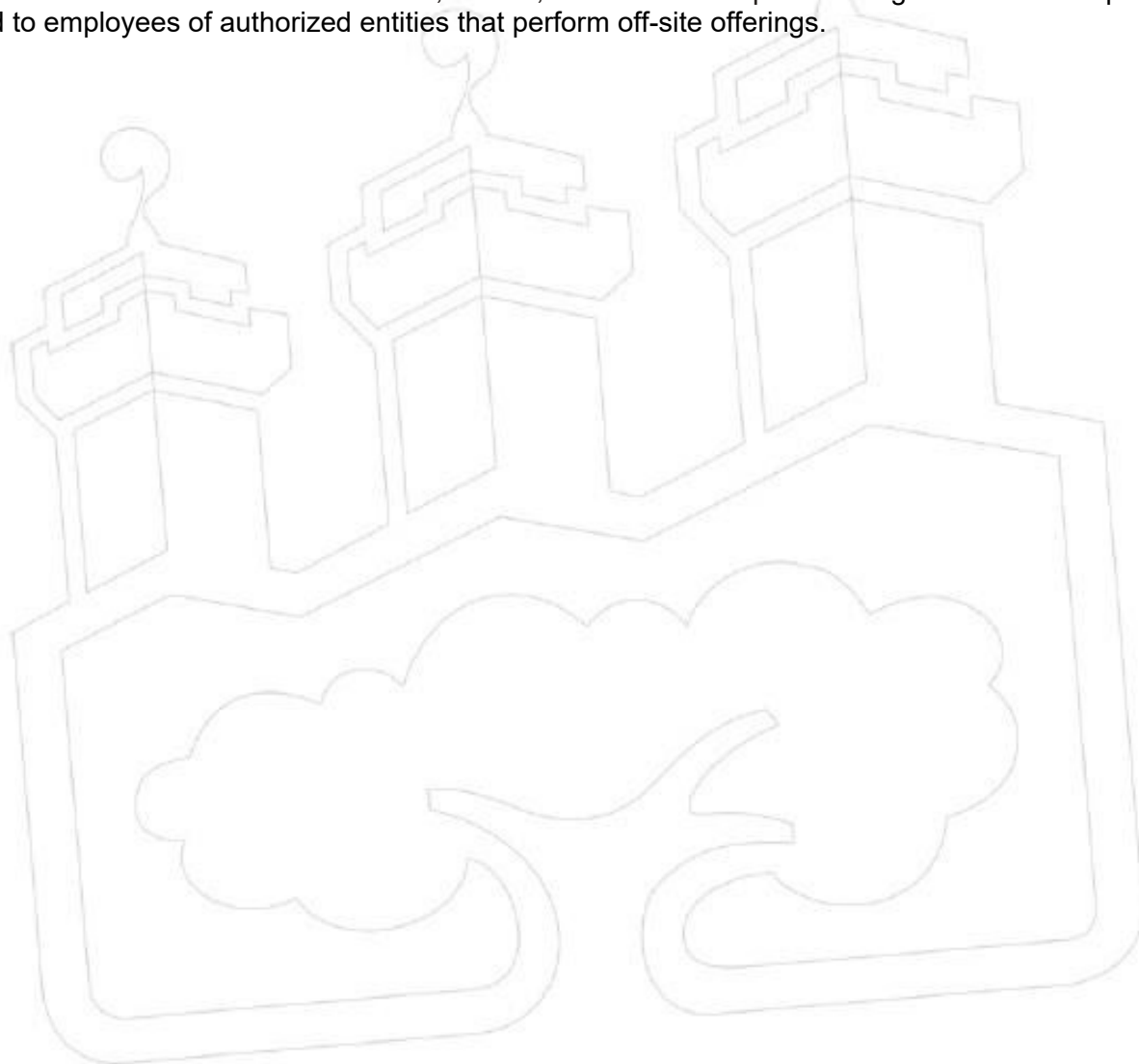
With reference to the training of specific functions, the bank's dedicated staff participated in professional refresher training for the Trustee function, benefiting from the training organized by the San Marino Trust Academy. In this context, the Anti-Money Laundering Compliance functions and the RIA, participated in several specific training events, many of them in videoconference mode, with a view to the necessary ongoing training. Some of them are mentioned here: "Anti-Money Laundering Odcec", "Anti-Money Laundering Control Culture", "Blockchain and Virtual Assets", Webinar Compliance and Bord Order".

In order to better monitor credit risk, specific training courses were carried out with ABI Formazione with a view to expanding knowledge. The training particularly concerned the granting and monitoring of credit according to the new European rules on loans (LOM EBA).

In the course of 2022, the topic of Logical Security in the IT field was explored in depth, by means of training held internally by colleagues who are experts in this field and aimed at all the Bank's personnel. In addition, hours of training were devoted to safety in the workplace (first aid and fire-fighting) in compliance with the regulations in force on the subject.

A training course dedicated to senior management saw the latter's participation in the second part of the course for corporate officers, already undertaken in 2021, organized by ABI in cooperation with ABS.

CRSM also boasts an important number of employees enrolled in the Public Register of Financial Advisors of the Republic of San Marino, pursuant to Regulation No. 2014-01 regulating the professional exercise of the activity of financial advisor and the off-branch offer of financial instruments and investment services in the territory of the Republic of San Marino. As of 31/12/2022, in fact, there were 13 persons registered in the special section dedicated to employees of authorized entities that perform off-site offerings.



INSTITUTIONAL AND SOCIAL INITIATIVES

The 2022 financial year represented the moment of a return to normality in social relations by emerging from the pandemic emergency, albeit with a necessarily responsible approach and the maintenance of certain safety precautions.

Thanks to this newfound 'freedom', CRSM's activities have become more incisive again in supporting local initiatives.

Always in the forefront alongside young people, CRSM supported the organization of the Student Veglione and financed the urban regeneration project promoted by the City Council together with the Cultural Institutes. This initiative, called 'D'Artefatto', brought together young *Street Artists* who, accompanied by Hip-Hop music, created beautiful *garage murals* at the SUMS Palace.

It was a partner of the Marciamela Association in the successful event that has accompanied the San Marino summer for many years, the Festival dei Giovani Saperi (SMIAF 2022) which, now in its 15th edition, welcomed over 25,000 spectators to the Republic's historic centre with fireworks, juggling, music and much more. CRSM also linked its name to the second edition of the 'Rapublic Hip Hop Music Festival', an event organized by the Youth Association YOUTH. A music festival where young people, from San Marino and the surrounding area, participated in performances of rap music or hip hop dance, now certifying the establishment of a true 'cultural movement' that creates value for the country.

As an element of union between the world of youth and sport, CRSM renewed the historic convention that sees it as the *main sponsor* of the San Marino National Olympic Committee and its presence at the Sport in Fiera event. An autumn appointment dedicated to the Republic's very young students, the Bank involved schoolchildren and students, who were given personalized gadgets, in a tournament of skill games.

CRSM renewed its presence at the 'Round the Mountain' event, and collaborated with Red Bull on the exhilarating 'Red Bull Soapbox Race' event. This was a competition of amateur drivers who competed by presenting handmade, engine-less vehicles, judged for their looks, speed and road holding. This initiative also gave CRSM significant visibility in the media, web and TV.

The end of summer also saw the return of great sport to the Republic, where the 29th San Marino Open 2022, an international tennis tournament played in the splendid setting of the Centro Tennis, with

Cassa di Risparmio, and with CRSM as *main sponsor*.

On the cultural front, CRSM was the *main sponsor* of the event celebrating the 60th anniversary of the foundation of the San Marino Chorale, which was held, after being rescheduled due the health emergency, and was a great success with the public.

CRSM also supported what is now one of the most important cross-media events in Europe, i.e. the appointment that San Marino Comics organized in the Old Town at the end of August called 'Journey into the World of Fantasy and the Fantastic'. Over 50 thousand visitors decreed it as one, if not the biggest event, in the Republic in 2022. The streets of the Old Town were filled with groups of *performers* and cosplayers, immediately creating an air of fun and light-heartedness.

Culture returned in the final part of the year as a regular appointment, thanks to the Autumn Musical Review, organized by the Associazione Musicale Camerata del Titano, now in its 24th edition. A programme, this year, full of internationally renowned artists who performed at the Titano Theatre and the SUMS Palace.

Throughout the year 2022, CRSM resumed hosting events of various kinds at its premises, and in particular at the Conference Room of the SUMS Building. From exhibitions, one cannot fail to mention the Banksy exhibition in spring 2022, conferences, and even presentations of publications, such as the summer event organized by the Prosperus Association, which saw the presentation of Carlo Galli's book on Federico Caffè, 'A great scholar of realistic severity who put economics at the service not of profits, but of society as a whole'.

On the institutional communication front, CRSM's publishing project was presented to the Regency in December. This year, CRSM presented the 2023 Calendar "Il Cammino del Titano" (The Titan's Path) to the State Supreme Judiciary, taking its cue from the path of the same name inaugurated in 2020, but which was immediately extended from the "blue and white ring" to the other "thematic" paths. The gift of a journey within

of our territory, using the words of its creator and curator Andrea Severi, a tribute to our Republic and an invitation to everyone, not just hiking enthusiasts, to re-appropriate and protect it. An ideal path through the beauty of the places of our Republic. A journey, both physical and spiritual, through the shots of photographer Simone Maria Fiorani and the words of Dr. Anna Chiara Macina.

But 2022 was also the 140th year of CRSM's existence. A unique occasion that made it possible to produce an unpublished work that, through the words of Professor Verter Casali, who, in retracing certain events in our country, recounts the birth of the Società Unione Mutuo Soccorso (SUMS) and the will and reasons that led to the founding of CRSM, inaugurated on 1 January 1882, highlighting the initiatives and interventions for the benefit of the entire community.

Both projects represent CRSM's tribute this year, 2022, to its customers and the community at large.

Finally, while 2022 represented a return to a 'quasi-normality', post-pandemic period, it was also characterized by the beginning of the conflict in Ukraine, the commodity supply emergency and consequently strong inflationary pressures.

In order to help the thousands of people displaced from Ukraine to Europe, CRSM undertook to organize and promote a fundraising campaign, as well as provide suitable spaces to provide shelter and hospitality to some refugee families. In this context, praise is due to the valuable contribution of employees, pensioners and some customers who organized the spaces made available to the bank by providing furniture, linen and financial resources to make these places habitable.

However, this initiative, in the social sphere, was not the only one. CRSM has again this year provided financial support to the SUMS Solidarity Fund, thanks to which many San Marino families, who are or have been in difficulty, can continue to receive valuable economic support.

Throughout the year, CRSM also conveyed communications related to the Food Collection, through Caritas, and against violence against women.

COMMERCIAL INITIATIVES AND MARKETING ACTIVITIES

With regard to commercial and marketing initiatives, we mention only the main ones, having devoted ample space to institutional and social initiatives, as an important vehicle capable of determining the positive return, in terms of image, of CRSM.

On 21 March, the Cailungo branch was inaugurated, and thus returned to its original location within the State Hospital, in order to facilitate greater customer accessibility.

During the year 2022, the commercial network was the beneficiary of several initiatives to support it in offering products and services. In addition to the campaigns on home loans, there was the relaunch of 'Prestissimo', the San Marino consumer loan, a product available to San Marino shopkeepers as a means of enhancing and increasing sales opportunities in the territory.

A finalization of the commercial initiatives aimed at young people in the summer period led to increased results compared to previous years, in terms of openings.

CRSM is sensitive to the growing need to reduce the burdens caused by high energy prices in addition to its commitment to the more general protection of the planet. This includes Green financing as well as financing for photovoltaics; products of CRSM that guarantee San Marino citizens quick response times from the Institute and favorable conditions.

Finally, since 19th September, CRSM has been running the 'SMaC changes! Change your SMaC'. Tens of thousands of expiring cards, mainly at the end of October and with CRSM holding the largest number of them, generated the need to organize the Network differently, supporting the initiative with more flexible opening hours and the activation of dedicated tills. The sharing on social media of positive feedback on the service offered to users by CRSM certified the success of the activity.

Finally, through Centro Servizi, CRSM managed the transition of its merchants' POS network to the new application. This activity characterized the last five months of the year.

Throughout the year, other initiatives and promotions followed one another, supporting the image of CRSM and its products, with investment in social channels and the web becoming increasingly predominant, confirming the trend of recent years.

ORGANIZATIONAL, LOGISTICAL, RESEARCH AND DEVELOPMENT ACTIVITIES

The guidelines for organizational activities and the evolution of the IT infrastructure, aimed at the management and optimization of internal procedures, were geared towards the development of new products and services, as well as the adaptation of banking procedures to the changing legislative environment.

Particular attention was paid to enhancing IT security systems to continue to protect the Bank and its customers against cyber threats.

Below are the main development projects for 2022:

- Bank's Core Banking, Web Portal and Mobile Banking, Retail and Corporate Migration Project;
 - ✓ The most important and relevant activities in the year 2022 certainly relate to the project to migrate the Bank's entire Banking Information System (SIB) from the current Gesbank to the Platone solution, proposed by Enterprise S.p.A. of Rome.

During this year, the Organisation Unit was therefore engaged in the implementation activities of the new SIB and in particular:

- Definition of the Master Plan and Project Structure; Gap Analysis activities;
 - Definition of connections for the migration of data from the old to the new SIB;
 - Verification and reconciliation, both quantitative and qualitative, of data migrated to the target system;
 - Configuration and parameterization, both accounting and technical/functional, of the new SIB;
 - training of CRSM staff on the new SIB;
 - Technical/functional audits of the new SIB, both of the standard functionalities and of the new developments detected during the Gap Analysis.
- Payment Systems Area:
 - ✓ Adaptation of the current Gesbank SIB to the new Target2 and Swift messaging modes: although the GoLive of the new messaging was postponed from November 2022 to March 2023, the developments on the SIB were completed and the tests foreseen by the interbank network were carried out;
 - ✓ Activities to adapt all customers to the PSD2 Directive completed.
- Facilities Rationalization Area:
 - ✓ Acquisition on CRSM's SIB of all outstanding non-performing positions on the two NPL funds of Carisp SG.
- Logical Security Area:
 - ✓ third-party certification for SWIFT Security Attestation;
 - ✓ Implementation of new additional software system for the logical protection of the IT infrastructure;
 - ✓ Adaptation of home banking and implementation of updates required by CBI; preparation of new hardware infrastructure for the Platone information system;
 - ✓ Analysis and definition of requirements for the development of the new web banking system connected to the Plato information system;
 - ✓ Implementation of new e-mail protection system;
 - ✓ Upgrading the antivirus infrastructure with advanced protection and control features; computer security training for all Bank staff.

THE CONTROL SYSTEM

The Internal Control System is a fundamental element of the company's overall governance system; it ensures that the company's activities are in line with business strategies and objectives, are consistent with company policies, comply with regulatory and voluntary requirements and are based on sound and prudent management. It consists of the set of rules, procedures and organizational structures that aim to ensure compliance with corporate strategies and the achievement of the effectiveness and efficiency of business processes, the safeguarding of the value of assets, the reliability and integrity of accounting and management information and the compliance of transactions with all applicable regulatory frameworks.

CRSM has structured its system of internal controls in such a way as to ensure that its activities are characterized by sound and prudent management and effective risk control, which is in line with strategies and enables the achievement of corporate objectives in accordance with internal plans, procedures and regulations, as well as with the law and supervisory regulations.

The essential components of the internal control system are the Internal Auditing, Risk Management, Compliance and Anti-Money Laundering and RIA functions, all reporting directly to the Board of Directors.

The controls involve, with different roles, the administrative bodies, the Board of Statutory Auditors, the Management and all the staff of the structure and permeate the Bank's daily activities, with the aim of assessing the functional adequacy and reliability of the control mechanisms; reviewing the risk management process; verifying compliance with the limits provided for by the delegation mechanisms and ascertaining the correctness of the operational processes, also with regard to specific irregularities.

The control system in CRSM has three levels:

- line controls (first level). Controls aimed at ensuring the proper conduct of business operations. They are carried out by operational structures (e.g. hierarchical controls), incorporated into procedures or performed as part of back-office activities;
- controls on risk management and compliance (second level), which aim to verify compliance with the limits assigned to the various operational functions, to check the compliance of the company's operations with regulations, including self-regulatory ones. They are assigned to specific functions, in order to ensure 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. It is conducted continuously, periodically or by exception, including through on-site audits by the Internal Auditing function.

Internal Auditing reports directly to the Board of Directors and structures audits autonomously according to what is planned and approved by the Board in the Audit Plan.

The second-level control functions - Risk Management, Compliance and Anti-Money Laundering, RIA - are also positioned on the staff of the Board of Directors, in compliance with the regulations in force, in order to guarantee their independence and autonomy.

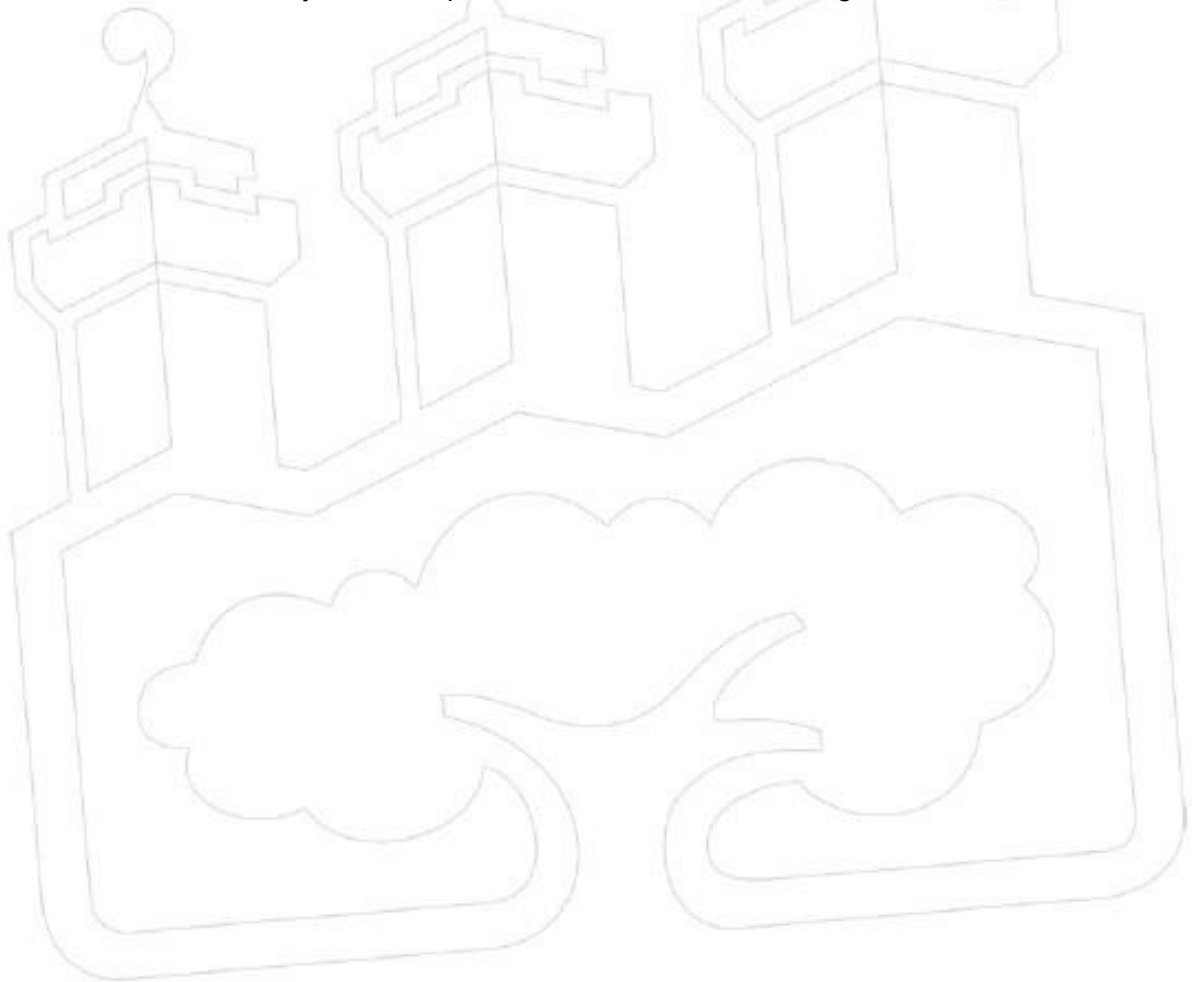
Internal Auditing is an independent function and an integral part of CRSM's system of internal controls. It performs assurance and consulting activities in order to assess, add value and improve the system of internal controls.

The Risk Management function is responsible, in the area of risk management, for defining risk measurement methodologies, identifying the most suitable tools for measurement, verifying compliance with the limits assigned to the various operational structures and monitoring the consistency of the operations of the individual production areas with the risk-return objectives assigned. The Risk Management function has an overall view of all the risks assumed by the Bank and more generally by the Group and gathers within it the specific skills involved in the management of the various types of risk, ensuring the promotion of a risk culture at corporate level.

The Compliance and Anti-Money Laundering function carries out checks on compliance with statutory and regulatory provisions, helping to promote a corporate culture based on principles of honesty, fairness and compliance. On the basis of the results of the checks carried out, the Compliance and Anti-Money Laundering function solicits the

the companies concerned so that appropriate measures can be put in place to regularize any anomalies; it also identifies, on an ongoing basis, the applicable rules, assessing their impact on business processes and procedures and verifying the presence of rules that effectively prevent violations or breaches of the applicable rules. The Compliance and Anti-Money Laundering function is responsible for ensuring the adequacy, functionality and reliability of anti-money laundering controls in line with legal and regulatory requirements and internal policies and procedures.

As far as the Anti-Money Laundering Officer (RIA) is concerned, he is in charge of receiving the internal reports on anti-money laundering matters, carrying out in-depth analyses on the reports received and forwarding them to FIA if he agrees with them on the basis of all the elements at his disposal, also deducible from other sources. It carries out on its own initiative the analysis of the transactions carried out by the customers, researches and acquires the information and, if it deems that the anomalies detected are actually attributable to a suspicion, it transmits a report to FIA. It plays a liaison role with the aforementioned Agency and responds promptly to any requests from it. Finally, it ensures that access to its archives is prohibited to unauthorized people and is responsible for the confidentiality of the acquired documents and incoming notifications.



RISK MANAGEMENT POLICIES

With regard to the overall management of the risks to which it is exposed, CRSM has defined the map of relevant risks, which constitutes the framework within which the activities of risk assessment, measurement, monitoring and mitigation are developed. To this end, it has identified all relevant risks to which it is, or could be, exposed that could jeopardize its operations, the pursuit of its strategies and the achievement of its corporate objectives. For each type of risk identified, the related causes are identified (also for the purposes of the subsequent definition of the tools and methodologies to monitor measurement and management) and the structures responsible for management.

Strategic risks and how they are monitored and managed are governed by specific internal regulations.

With regard to the monitoring and management of risks (credit, market, liquidity, interest rate, exchange rate, counterparty and operational), 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 of limits being exceeded. When limits were exceeded, the Board of Directors was informed in accordance with the provisions of internal regulations.

CREDIT AND COUNTERPARTY RISK

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

The procedures for managing and monitoring this risk are governed by the Credit Regulations currently in force. The document defines CRSM's policies on the granting of credit and sets out the guidelines that must inspire the granting of credit, the organization of the credit process, the functions involved and the risks associated with it. As far as strategic limits are concerned, the document sets out their definition, the level allowed, how they are monitored and how they are managed if they are exceeded.

The Prudential Regulation (BCSM Regulation No. 2007-07) requires the bank to maintain a level of regulatory capital sufficient to cover 11% of total risk-weighted assets for the risk of loss due to default by borrowers. These credit risk weightings, applied to the exposure net of adjustments, are differentiated according to three parameters, namely borrower counterparties, country risk and collateral received.

For greater focus in the management and monitoring of doubtful loans, CRSM has adopted the Doubtful Loans Regulation. The document defines how doubtful loans are classified, managed and evaluated. Receivables with 'restructured', 'watchlist' and 'non-performing' status are assigned to specific internal organizational units. In order to reduce the risk of generating problem loans and to analyze predictive signals of insolvency situations, checks are carried out on anomalous trends, with consequent communication to the organizational units in charge aimed at restoring correct operations. In the event that anomalies are found in the utilization of credit lines for which a resumption of a regular trend can be assumed, the exposure is classified with the status of credit 'under observation'.

The credit risk limits that are monitored by the Risk Management function concern: duration limits, limits on the maximum amount financed for mortgages with respect to the appraised value of the property, limits on unsecured loans, concentration limits, as well as specific limits on financial leasing operations, such as duration, amount of advance rent and amount of final redemption. Due to the significant presence of fixed assets, credit risk is a strategic focus of attention.

Further controls aimed at monitoring credit risk are carried out by means of:

- a tool for monitoring the composition of the credit portfolio and the trend of the main credit risk indicators, called the 'Credit Dashboard', the preparation and maintenance of which is carried out by the Risk Management function on a monthly basis;

- a procedure called "Anomalous Position Management" (hereinafter GPA), integrated into the banking information system, which allows constant monitoring of any anomalies in the performance of the customers entrusted, through a system of Early Warning Indicators, in addition to the administrative management of non-performing positions through the collection, in the information system, of all information relating to the individual file. The information collected through the GPA procedure is used by the Risk Management function for the purposes of controls on the correct classification of loans and on the appropriateness of outstanding adjustments, as well as on the recovery process.

Finally, CRSM proceeded to prepare an NPL Operating Plan, consistent with the Institute's Industrial Plan, with the objective of improving Asset Quality. As part of the plan, objectives were identified in terms of the level of the NPE ratio, the coverage ratio of doubtful loans, and the improvement of the main indicators of deterioration of the loan portfolio (Probability of Default, Danger Rate, and Cure Rate).

In addition to their traditional lending activities, banks are normally exposed to position and counterparty risks with respect to their securities business. To this end, appropriate strategic limits are defined in CRSM in terms of maximum exposure per individual security, per homogeneous category of securities (e.g. by currency, geographic area, *rating*, etc.) and per individual counterparty or banking group, the management and monitoring of which is governed by the Financial Portfolio Management Regulation.

MARKET AND EXCHANGE RATE RISK

In managing its proprietary portfolio, the bank incurs market risks mainly due to volatile 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 assets, CRSM has defined policies in the Rules and Regulations of the financial portfolio management activity for treasury and securities portfolio management. 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 verifies the strategic limits defined in the Rules and Regulations and reports its findings to the Head of the Executive Structure and the Risk Committee, also informing the Board of Directors if they are exceeded. The market risk limits monitored by the Risk Management function concern the proprietary portfolio (securities and banks) and in particular the maximum acceptable loss, VaR (*Value at Risk*), and composition limits. Monitoring is performed by means of market risk analyses (VaR, *Duration*) made available by a specific external Servicer and by means of information system extractions integrated with market data extrapolated from specific *infoproviders*.

In addition, the Risk Management function is responsible for verifying compliance with the limit, defined in the Financial Portfolio Management Regulation, for exchange rate risk. The monitoring concerns the level assumed by the open foreign exchange position.

INTEREST RATE RISK - BANKING BOOK

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

The Risk Management function monitors the aforementioned interest rate risk through ALM (*Asset Liability Management*) models, both in the short term (impact on the interest margin) and in the medium to long term (impact on Equity), with the aim of measuring the impact of any fluctuations in market rates on the bank's income results and economic value. The analysis of interest rate risk is carried out on the basis of reports made available by a specific external Servicer.

The results of interest rate risk monitoring, if exceeded, are brought to the attention of the Head of the Executive Structure, the Risk Committee and the Board of Directors.

LIQUIDITY RISK

An adequate level of liquidity is fundamental to 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 appropriate to have an adequate level of liquid or readily liquid assets, in the short term, and to meet 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 requires banks to send a specific report on a weekly basis.

CRSM has internally defined strategic limits, the management and monitoring of which is established by the Board of Directors in the Financial Portfolio Management Regulation. The liquidity risk limits monitored by the Risk Management function are the coverage ratio of on-demand funding and the *liquidity coverage ratio* (LCR) over a 30-day time horizon. The coverage ratio expresses the bank's ability to meet any shortfall in on-demand funding, while the LCR indicates the ratio between high quality liquid assets and net cash outflows. The latter monitoring was defined by borrowing from international best practices. Monitoring is performed on the basis of data extrapolated from the liquidity report sent to BCSM.

The results of the liquidity risk monitoring are brought to the attention of the Head of the Executive Structure, 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 banking business as it is generated transversally by all business processes; the main sources of operational risk are attributable to possible internal fraud, information system failures, professional obligations to clients or the nature or characteristics of the products offered.

CRSM has provided for the definition of organizational responsibilities and attributions articulated both on top management bodies and on corporate organizational units, aimed at monitoring risk. The Internal Auditing function carries out specific and targeted checks on operational risks.

In terms of capital absorption, current Prudential Supervision regulations (BCSM Regulation No. 2007-07) provide for the application of the so-called Basel *Basic Indicator Approach*. Specifically, the minimum capital requirement is 15% of the average gross operating income of the last three financial years.

With the aim of constant, continuous and effective risk monitoring, CRSM, in the course of 2022, decided to start a process aimed at building a modern control tool, the Risk Appetite Framework (RAF). This tool, which is not yet provided for in San Marino regulation but is present in the European regulation, sets risk objectives, possible tolerance thresholds and operational limits under both normal operating conditions and stress conditions.

It defines the types of risk that the Bank intends to assume and the maximum risk that can be assumed, also highlighting the relationship between compliance with the defined limits, in relation to capital indicators, and the practical/operational repercussions that the various Organizational Units must follow in order to comply with them.

The aforementioned adoption process was finalized in the first quarter of 2023, with specific resolutions of the Board of Directors.

MANAGEMENT PERFORMANCE

In order to provide a concise representation of the performance of the main balance sheet and income statement aggregates, the balance sheet and income statement are shown, appropriately reclassified.

These schemes form the basis for the calculation of management indicators, which are useful for providing additional information on the composition of assets and liabilities, profitability, solvency and the efficiency of the organizational structure.

Reclassified Balance Sheet

BALANCE SHEET	31/12/2022	31/12/2021	Variation
ASSETS (€ thousands)			
Gross customer loans*	844.088	997.132	-153.044
-asset adjustment	-579.791	-639.015	59.224
Interbank balance	132.085	123.835	8.250
Securities in ownership	711.649	689.180	22.469
Shareholdings	38.241	38.460	-219
Fixed assets	77.610	79.169	-1.559
Other assets, accruals and deferrals	312.767	247.974	64.793
TOTAL ASSETS	1.536.649	1.536.735	-86

* including overdue installments and interest on arrears of leasing

BALANCE SHEET	31/12/2022	31/12/2021	Variation
LIABILITIES (€ thousands)			
Collection of savings*	1.356.660	1.355.382	1.278
of which direct sight deposits	759.273	805.305	-46.032
of which c/a and d/r	11.992	12.949	-957
of which other funds	62.737	370	62.367
of which deposit certificates	417.417	407.617	9.800
of which short term	93.362	105.415	-12.053
of which bonds	3.122	9.994	-6.872
of which subordinated loans and hybrid	8.070	12.978	-4.908
Other liabilities, accruals and deferrals	61.869	59.471	2.398
Provision for credit risks	0	0	0
Provisions for risks and charges	10.869	14.002	-3.133
TFR	414	398	16
Provisions for banking and general risks	3.000	5.000	-2.000
Assets and reserves**	102.481	100.738	1743
Result for the year	1.356	1.744	-388
TOTAL LIABILITIES	1.536.649	1.536.735	-86

*including bonds held by credit institutions on behalf of third parties

**excluding current year result

The financial statements show the main changes in the year 2022. The individual specifications are set out analytically in the sections below.

Composition of assets and liabilities

COMPOSITION INDICATORS		
	31/12/2022	31/12/2021
Loans and advances to customers Net/Total Assets	17.20%	23.30%
Own securities/Total assets	46.31%	44.85%
Interbank Balance/Total Assets	8.60%	8.06%
Collection of Savings/Total Liabilities	88.29%	88.20%
Net Loans to Customers/Savings Collection	19.48%	26.42%
Gross Loans to Customers/Savings Collection	62.22%	73.57%
Collection at maturity/Sight Collection	78.68%	68.31%
Shareholders' equity/total assets	6.95%	6.99%

The composition ratios (calculated on the basis of the values reported in the reclassified Balance Sheet), compared with the previous year, show a decrease in the ratio between net loans to customers and total assets (from 23.30% to 17.20%). The ratio of savings deposits to total liabilities remained virtually unchanged, with an improvement in the ratio of term deposits to on-demand deposits, which rose from the previous 68.31% to the current 78.68%. Finally, shareholders' equity as a percentage of total assets was virtually stable.

Loans and advances to customers

Loans to customers, shown gross of the related value adjustments, amounted to € 870.52 million as at 31/12/2022, a decrease of 15.12% compared to 31/12/2021, which, in absolute terms, corresponds to € 155.06 million.

LOANS TO CUSTOMERS *				
(amounts in units of €)	31/12/2022	31/12/2021	Variation	Change %
Gross customer receivables	870.520.703	1.025.583.534	-155.062.831	-15.12%
Value adjustments on receivables	-582.005.107	-641.871.931	-59.866.824	-9.33%
Loans and advances to customers, net	288.515.596	383.711.603	-95.196.007	-24.81%

This overall change originated from the reduction in doubtful loans by a gross value of € 170.90 million and a net value of € 110.82 million, mainly due to the operations implemented on receivables attributable to the Delta Group. At the same time, performing receivables increased by € 15.84 million gross due to the development and support activities undertaken.

The graph below shows the distribution of net credit facilities by business segment and is net of direct and indirect exposures to the Delta Group. This provides evidence of the bank's characteristic, and current, activity net of the impact of the Delta Group.

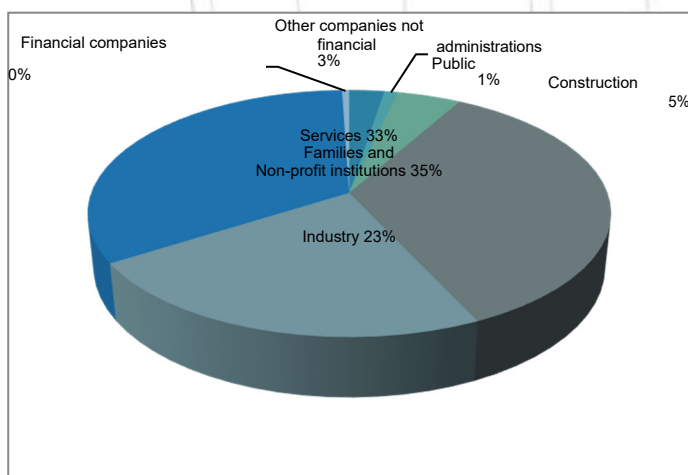


Figure 1 Breakdown of net loans to customers (incl. leases) by sector excluding loans subject to the 182bis Agreement

The household sector, with 35 per cent, is the most important segment for CRSM, followed by service sector companies with 33 per cent, industry with 23 per cent and construction with 5 per cent.

Table 4.7 in the notes to the accounts shows the distribution of loans and advances to customers by major debtor category, including loans and advances excluded here.

More in general, with reference to the effects of the pandemic on San Marino's economic system, it is necessary to highlight how, in order to support families and economic operators, specific regulations were necessary. In particular, as a result of Decree-Law no. 66/2020, Decree-Law no. 91/2020 and subsequent amendments and additions, DD no. 60/2021 and DD no. 73/2021 containing specific measures and interventions in the economic sphere and for the support of families, businesses, self-employed workers and freelance professionals,

financial institutions, families and economic operators who were going through temporary financial difficulties due to the pandemic were able to access, depending on the needs, the institution of moratoria on the repayment of existing loans or new loans guaranteed in part by the state.

CRSM since the beginning of the health emergency, with reference to the regulations to support the economic fabric of San Marino and families issued in 2020 and 2021 (DL no. 66/2020, DL no. 91/2020 and subsequent amendments, DD no. 60/2021 and DD no. 73/2021) still has moratoriums outstanding as of 31/12/2022 referring to 29 customers for a total residual debt of € 6.4 million and a total outstanding capital of € 927,487. With reference to subsidized loans, 87 were granted as of the same date, for a total of € 5.5 million.

Credit Risk Indicators and Doubtful Credits

The aggregate of doubtful loans consists of non-performing loans, substandard loans, restructured loans, loans past due and/or in arrears, and unsecured loans to countries at risk.

The category of restructured loans, for the purpose of greater disclosure transparency, has been divided into three aggregates to distinguish exposures to ordinary customers from exposures related to the Delta Group.

In particular, the latter sub-category consists of two sub-categories detailed as follows:

- restructured receivables ex-Delta, where receivables from the 182bis Agreement are recorded;
- receivables indirectly related to the restructuring of the Delta Group, originating from receivables from SIE

CREDITS WITH CUSTOMERS*								
	31/12/2022			31/12/2021				
Category	Exposure	Value adjustment	% coverage	Exposure	Value adjustment	% coverage	Exposure variation	Change value adjustments
Non-performing loans	155.588.797	112.015.352	71.99%	208.403.458	160.825.424	77.17%	-52.814.661	-48.810.072
Substandard loans	33.114.820	11.426.138	34.50%	50.122.313	22.167.520	44.23%	-17.007.493	-10.741.382
Restructured loans – other	10.775.580	2.623.869	24.35%	11.253.323	2.791.150	24.80%	-477.743	-167.281
Restructured credits ex Delta	467.581.559	451.905.333	96.65%	509.903.865	449.465.618	88.15%	-42.322.306	2.439.715
Receivables indirectly related to the re-structuring of the Delta Group	1.880.099	1.880.099	100.00%	60.410.584	4.689.529	7.76%	-58.530.485	-2.809.430
Receivables past due and/or in arrears	181.984	3.356	1.84%	88.495	1.530	1.73%	93.489	1.826
Unsecured loans to countries at risk	157.880	2.488	1.58%	3.950	53	1.34%	153.930	2.435
TOTAL DOUBTFUL LOANS	669.280.719	579.856.635	86.64%	840.185.988	639.940.824	76.17%	-170.905.269	-60.084.189
TOTAL DOUBTFUL LOANS WITHOUT DELTA**	199.819.061	126.071.203	63.09%	269.871.539	185.785.677	68.84%	-70.052.478	-59.714.474
Credits in Bonis	201.239.984	2.148.472	1.07%	185.397.546	1.931.107	1.04%	15.842.438	217.365
TOTAL CREDITS*	870.520.703	582.005.107	66.86%	1.025.583.534	641.871.931	62.59%	-155.062.831	-59.866.824

*Figures include Financial Leases

** Excluding the categories Restructured Receivables ex-Delta and Receivables Indirectly Related to the Restructuring of the Delta Group

As at 31/12/2022, gross non-performing loans amounted to € 155.58 million, against € 208.40 million as at 31/12/2021, a decrease of € 52.81 million. Gross doubtful loans, which amounted to € 33.11 million, decreased by € 17.00 million, mainly due to recoveries made on positions. Ex-Delta restructured loans stood at € 467.58 million gross, down € 42.32 million due to the 'Heritage' securitization completed during the year. The gross value of receivables indirectly linked to the restructuring of the Delta Group stood at € 1.88 million, a decrease of € 58.53 million. The reduction in exposure is attributable to the waiver of the receivable due from the subsidiary SIE (100%), made by CRSM as an asset reinforcement, which was followed by the recognition under "Other assets" of an amount equal to the minimum claim claimed by CRSM under the 182bis Agreement (€ 50.50 million), due to the fact that through the presentation made by Società Gestione Crediti Delta S.p.A, "SGCD", to all adhering creditors of the document "Estimate of Delta Group's Residual Liquidity and Residual Assets", drafted with the scrutiny of the auditing firm E&Y, it was definitively revealed that SIE, although owner of the participating rights in the Delta Group, is not the recipient of liquidation assets, whereas CRSM is, pursuant to Article 6.3 of the 182-bis Agreement, letter f.

Receivables past due and/or in arrears amount to € 181,000, a slight increase over the previous reporting period (+ € 93,000). Overall, the aggregate of doubtful receivables decreased by gross € 170.90 million, from € 840.18 million at 31/12/2021 to € 669.28 million.

Total value adjustments on these receivables recorded a reduction of € 60.08 million. The coverage level of doubtful loans - the overall coverage *ratio* - came to 86.64%, an increase compared to the 31/12/2021 figure of 76.17%; the coverage percentage for non-performing loans stood at 71.99%, while substandard loans were covered at 34.50%.

Recovery activity in 2022 exceeded the results achieved in the previous year. The important change in gross collections is due to the recovery recorded on a single position, which resulted in a return of approximately € 9.5 million. Deducting the results of this extraordinary item, the 2022 result is also positive, with an increase of 35.87%.

ANNUAL RECOVERY TREND				
Cash flow collections				
<i>(amounts in units of €)</i>	31/12/2022	31/12/2021	Varia- zione	Variation %
Non-performing loans	14.030.635	3.296.279	10.734.357	325.65%
Substandard loans	4.792.130	5.354.400	-562.270	-10.50%
Restructured loans (net of Delta)	811.900	291.996	-519.904	178.05%
TOTAL	19.634.665	8.942.674	10.691.991	119.56%

For more details on receivables and their dynamics, please refer to the appropriate sections of the notes to the accounts.

The credit risk indicators are shown in the table below:

CREDIT RISK INDICATORS		
	31/12/2022	31/12/2021
NPL ratio (Gross Bad Debt/Gross Loans)	17.87%	20.32%
Net Doubtful/Net Loans	15.10%	12.40%
Gross substandard loans/Gross Loans	3.80%	4.89%
Restructured loans - other Gross loans	1.24%	1.10%
Restructured ex-Delta Gross Loans/Gross Loans	53.71%	49.72%
Restructured ex-Delta Net Loans/Net Loans	5.43%	15.75%
Receivables Indirectly Related to the Restructuring of the Group Delta Gross/Gross Loans	0.22%	5.89%
Receivables indirectly linked to the restructuring of Delta Group Net/Net Loans	0.00%	14.52%
Gross overdue receivables/Gross loans	0.02%	0.01%
Unsecured loans to risky countries Gross/Gross loans	0.02%	0.00%
NPE Ratio (gross doubtful loans/total gross loans)	76.88%	81.92%
Net NPE Ratio	30.99%	52.19%

As at 31/12/2022, the *NPE Ratio*, consisting of the ratio of doubtful loans to total loans to customers, stood at 76.88%, down from the 31/12/2021 figure of 81.92%.

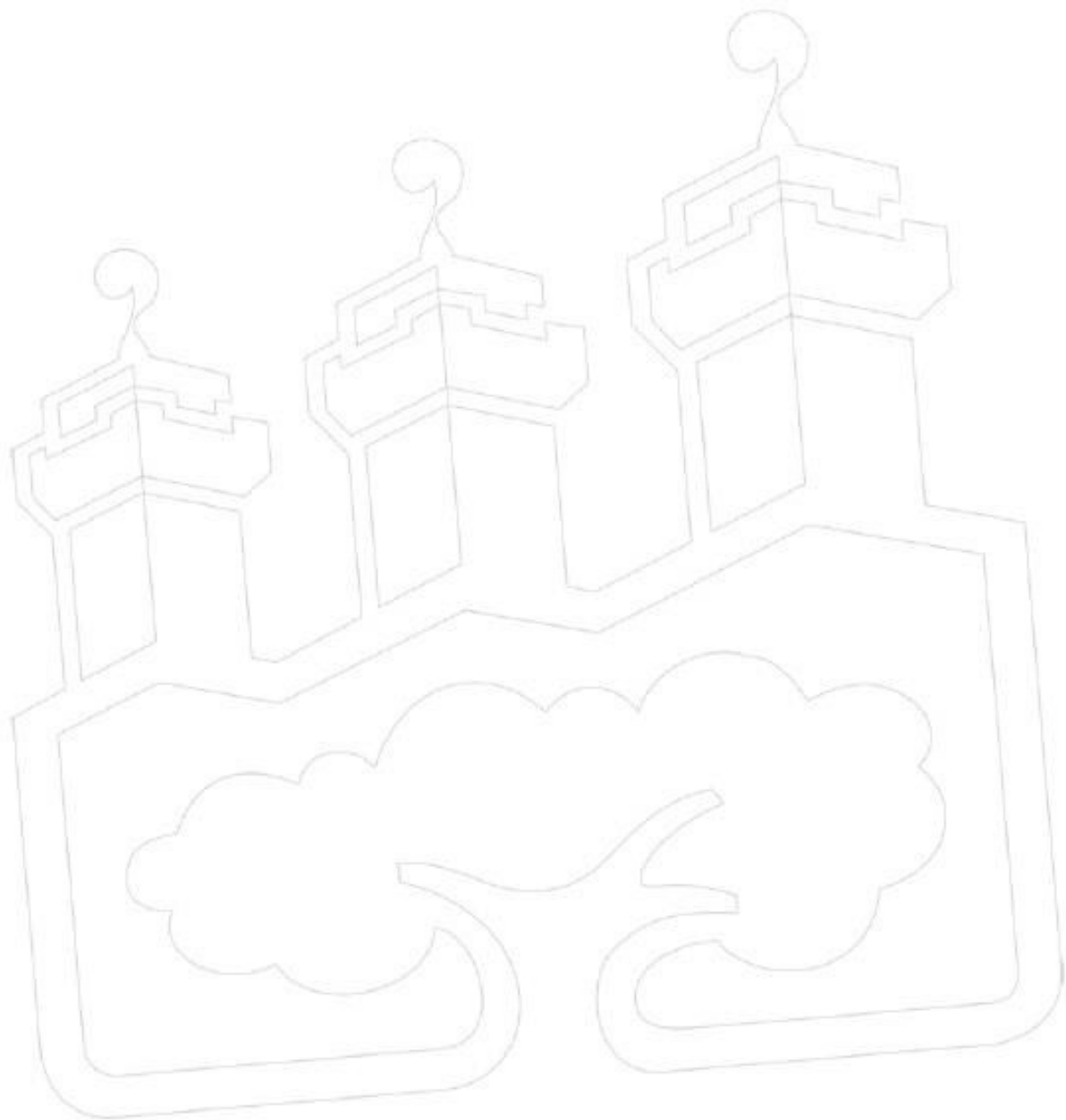
The ratio of gross non-performing loans to gross loans (*NPL Ratio*) was 17.87%, also down from the 31/12/2021 figure of 20.32%. The ratio of net non-performing loans to net loans stood at 15.10%, up from the 2021 figure of 12.40%. The ratio of substandard loans to gross loans decreased to 3.80% from 4.89% at the end of 2021.

As regards restructured loans ex-Delta, the ratio of these exposures to gross loans increased slightly from 49.72% in 2021 to 53.71% as at 31/12/2022.

On the other hand, the ratio of loans indirectly related to the restructuring of the Delta Group and gross loans decreased to 0.22%, down from 5.89% in 2021.

Finally, some risk indicators of the credit portfolio extrapolated from the annual migration matrices, compared to the previous year's data, are shown:

	Migration 31/12/2021 - 31/12/2022	Migration 31/12/2020 - 31/12/2021	Notes
PROBABILITY OF DEFAULT	0.47%	2.46%	probability of a loan migrating from performing to impaired
DANGER RATE	4.92%	6.70%	probability of an already impaired migrating loan migrating to non-performing status
CURE RATE	0.37%	0.50%	probability of an impaired loan returning to performing status



The proprietary securities portfolio and treasury

The year 2022 was quite turbulent for the international financial markets, due to rapidly rising inflation, the energy crisis related to the war between Russia and Ukraine, the global slowdown, and the restrictive turn of the world's major banks. Inevitably, these factors were reflected in the Bank's own securities portfolio, which recorded capital losses and losses of some EUR 4.8m. The Bank, however, had already taken an extremely prudent attitude at the closing of the 2021 financial statements by setting aside a sum of € 5 million to the General Financial Risk Fund, "FRFG", as it could not yet, at that time, fully define what the inevitable effects of the conflict, which is still ongoing, would be.

Nevertheless, the amount of the proprietary portfolio increased compared to last year (+€22.67m, or 3.29%), due to the subscription of the Heritage SPV security for €42.3m.

Bond instruments accounted for 90.60% of the portfolio with a countervalue of € 644.97 million, while the equity component (which also includes mutual funds) stood at 9.40%, with a countervalue of € 66.87 million.

During the year, and in continuity with the previous year, the following strategies were used to manage the proprietary portfolio:

- discretionary trading: this type of trading, which was tactical in nature and involved direct market risk, mainly in bonds, concerned a residual percentage of the entire portfolio. In addition to generating returns, attention was paid to containing risk in compliance with the limits defined in the relevant internal regulations, due to the particular market situation that had to be faced during the year, by using *stop losses*, so as to have an ex-ante calculation of the indicative amount of a possible loss in the event of adverse movements. In addition, a principle of diversification was used on the various instruments used, so as not to generate redundant transaction costs when using similar *assets*;
- strategic positioning through investments in mutual funds and *certificates*. This category involved an activity for strategic *asset allocation*, through investment in products with a medium-term time horizon and predominantly bond in nature. This strategy took shape again this year through the use of optimized portfolios of mutual funds with some of the largest players operating on the markets, as well as with a specific management mandate, once the risk/return profile deemed as most appropriate was selected;
- use of the investment portfolio. This last activity concerned the transfer of certain securities that were covered by the possibility, granted by BCSM, to switch from free to investment portfolio with retroactive effect to 31/01/2022. This derogation was authorized as a result of the uncertainty on the world scene, to which was added the conflict between Russia and Ukraine, which caused problems for the real economy and financial markets. The purpose of this operation was to pursue a correct management representation, with the aim of mitigating volatility on these instruments, with a view to a long-term time horizon. More detailed information can be found in the appropriate section of the notes to accounts "5.1 Breakdown of investment and trading financial instruments".

PORTFOLIO O OWNED SECURITIES						
(amounts in units of €)	31/12/2022	Weight %	31/12/2021	Weight %	Variation	Variation %
BONDS AND OTHER DEBT SECURITIES	644.971.821	90.63%	604.916.944	87.77%	40.054.877	6,62%
Non-capitalized portfolio	7.989.420	1.12%	19.764.943	2.87%	-11.775.523	-59,58%
Investment portfolio	181.982.401	25.57%	122.211.204	17.73%	59.771.197	48,91%
Investment portfolio - irredeemable security	455.000.000	63.94%	462.940.797*	67.17%	-7.940.797	-1,72%
SHARES AND OTHER EQUITIES	66.677.655	9.37%	84.263.077	12.23%	-17.585.422	-20,87%
Non-capitalized portfolio	66.677.655	9.37%	83.373.743	12.10%	-16.696.088	-20,03%
Investment portfolio	0	0.00%	889.334	0.13%	-889.334	-100,00%
TOTAL	711.649.476	100.00%	689.180.021	100.00%	22.469.455	3,26%

* including accrued interest settled after the closing date

Liquidity remained adequate throughout the reporting period. Exposure to this risk is monitored both on a daily basis and over a short-term time horizon, using the *Coverage*

7-day Savings *Ratio*, Readily Available Assets + On-Demand Treasury Balance and *Liquidity Coverage Ratio*.

Liquidity flows were mainly derived from transfers of new foreign customers, from the return of liquidity of San Marino companies, particularly in the first part of the year due to the application of negative current account rates on their accounts with non-San Marino intermediaries, in addition to the usual recurring transactions, and from some disinvestment activities of financial instruments in the securities portfolio (following the increase in volatility on the financial markets). During the year, in order to further improve the bank's liquidity profile, a series of targeted actions were undertaken. These actions took the form of:

- the search for new customers, including through the use of new *funding* campaigns;
- the management of *secured* deposits, for which *customer retention* initiatives were implemented, aimed mainly at the customers most exposed in terms of liquidity on their current accounts and at risk of abandoning the institution, through contacts/meetings by the sales network, also using alternative products to stabilize assets.

At the balance sheet date, in connection with the above, the interbank channel balances were structured as

INTERBANK				
(amounts in units of €)	31/12/2022	31/12/2021	Variation	Variation%
LOANS TO BANKS	132.431.110	124.390.316	8.040.794	6.46%
DUE TO BANKS	346.039	555.139	-209.100	-37.67%
INTERBANK BALANCE	132.085.071	123.835.177	8.249.894	6.66%

As at 31/12/2022, there were no open derivative positions.

Own shares held in portfolio

CRSM does not hold any treasury shares in its portfolio.

Funding from customers

TOTAL COLLECTION				
(amounts in units of €)	31/12/2022	31/12/2021	Absolute change	Variation %
Savings collection (direct customer deposits)	1.356.374.623	1.355.096.767	1.277.856	0.09%
Savings collection (net of GPM liquidity)	1.339.104.241	1.332.783.650	6.320.591	0.47%
Indirect deposits	549.685.474	365.841.699	183.843.775	50.25%
Indirect deposits (including GPM liquidity)	566.955.856	388.154.816	178.801.040	46.06%
of which managed*	101.078.619	149.749.623	-48.671.004	-32.50%
of which administered**	463.544.665	232.062.634	231.482.031	99.75%
of which custodian bank	2.332.572	6.342.559	-4.009.987	-63.22%
Total collection	1.906.060.097	1.720.938.466	185.121.631	10.76%

*includes GPM and Funds

**includes CRSM shares deposited with CRSM; does not include CRSM bonds and funds

COMPOSITION OF CUSTOMER SAVINGS DEPOSITS				
(amounts in units of €)	31/12/2022	weight %	31/12/2021	weight %
Current accounts	761.626.105	56.15%	807.884.035	59.62%
Cheques issued but not yet cashed	686.387	0.05%	754.050	0.06%
Savings Deposits	9.266.074	0.68%	10.369.554	0.77%
Certificates of Deposit*	417.417.061	30.77%	407.617.182	30.08%
Senior, subordinated and hybrid bonds*	10.906.173	0.80%	22.687.161	1.67%
Repos	93.362.263	6.88%	105.414.784	7.78%
Other funds	63.110.560	4.65%	370.001	0.03%
SAVINGS COLLECTION	1.356.374.623	100%	1.355.096.767	100%

* net of financial instruments held by credit institutions

Total deposits as at 31 December 2022 stood at € 1,906 million, up from the previous year (€ 1,721 million). The trend in total inflows therefore showed an increase of 10.76%, or € 185 million, mainly concentrated on the segment of assets under administration.

The current financial year was affected by inflation, which led - after a long period with negative Euribor - to an increase in interest rates in the bond segment, which, together with the market turbulence, pushed customers towards a return to bond subscription, with a preference for government debt. Added to this was a government bond issue, assigned in the placement phase to a resident institution for a total of €142 million.

Growth in total customer deposits, net of the effect mentioned in the previous paragraph, amounted to about €40 million. This was despite the fact that financial instruments held by customers suffered significant depreciation due to the turbulence on the markets, and therefore certain reductive effects - such as the contraction in the managed segment, where the impact is close to 50% of value reduction - were caused by this phenomenon.

Effects of the Delta Group Restructuring Plan

The genesis and development of the Agreement until 31/12/2020

Following complex legal events involving the Group, in May 2009, by Decree of the Italian M.E.F., the parent company Delta S.r.l. was placed under extraordinary administration, which resulted in the signing in 2011 of a Restructuring Agreement drafted pursuant to Article 182-bis of the Italian Finance Act by Delta S.r.l., River Holding S.p.A., Plusvalore S.p.A., Carifin Italia S.p.A., Detto Factor S.p.A. (hereinafter respectively "River Holding", "Plusvalore", "Carifin" and "Detto Factor") and the creditor banks (including CRSM). On 7/05/2013 the extraordinary administration procedure was concluded.

The 182-bis Agreement had as its primary objective the maximization of the satisfaction of all of the Group's creditors, providing for the payment in full of the non-adhering creditors accompanied by the maximum possible satisfaction of the adhering creditors, proportional to the amount of their claims as of 31/03/2010.

Over time, payments were made through the cash flows deriving from the gradual extinguishment of the customer receivables portfolio owned by each finance company, which has now been definitively sold following the exercise of the option provided for by Article 2.7 of the 182-bis Agreement by CRSM and River Holding and the offer on the residual portfolio of CRSM alone. It is therefore envisaged that the further satisfaction of creditors will derive from the liquidation of all other assets, net of recovery and management costs.

By virtue of the mandate received pursuant to the 182bis Agreement, SGCD, whose duties also include the distribution of collections to creditors adhering to the Restructuring Plan, is authorised to carry out, without the need for any prior authorization from Plusvalore, Carifin and Detto Factor any dispositive deed or agreement, even of a transactional nature, of the receivables from customers (or part of them), provided that it has been previously authorized by as many adhering creditors as representing a minimum of 60% of the total receivables of the adhering creditors from the mandating company.

The first sale included in this scope of action is represented by the so-called "Arcade 1 Project" during which, in 2018, the process aimed at selling part of the portfolio of loans (so-called Arcade Portfolio) held by the three financial companies in liquidation, Carifin Italia S.p.A., Plusvalore S.p.A. and Detto Factor S.p.A., already initiated by SGCD, during 2016, within the scope of its contractual autonomy. The sale process, defined in accordance with *best market practices*, saw Cerberus Capital Management L.P. (hereinafter also Cerberus) become the assignee of the receivables included in the Arcade Portfolio, due to the acceptance of the offer by more than 60% of the participating creditors.

This included CRSM, which - supported by the decisions taken by both the Finance Commission and the Shareholders' Meeting - engaged an *advisor*, in order (i) to assess the process put in place by CRSM itself with respect to the Arcade Project and also (ii) to express an opinion on the fairness of the transfer price.

The sale of a large part of the receivables portfolio of the three former financial companies, identified in the Arcade Portfolio, although it led to a considerable reduction in the exposure pertaining to the 182-bis Agreement, did not lead to the conclusion of the liquidation activities of the Delta Group companies envisaged by the 182-bis Agreement. In fact, there remain a portion of receivables due from customers - which, pursuant to Article 2.7 of the 182-bis Agreement should have been assigned to the adhering creditors on 30/11/2020, but which, as a result of Article 9.1 of Italian Legislative Decree No. 23/2020 remained at the disposal of the three former financial companies until 30/05/2021: cash and other assets and activities attributable to the Group, for the realization of which in-depth studies are underway on the best actions to be taken to obtain the maximum recovery for all stakeholders.

Developments in 2021: the exercise of the option under Article 2.7 of the 182bis Agreement and the residual offer on customer loans

Precisely as a result of the aforesaid investigations - which, among other things, highlighted how the operational management structured following the implementation of the Delta Group's Restructuring Plan, also as a result of the organizational complexity (SGCD S.p.A., formerly three financial companies, River Holding S.p.A.), as well as the high level of costs for legal expenses, absorbed a significant portion of the proceeds - CRSM and with it River Holding S.p.A. have deemed it appropriate, in order to be able to better monitor future returns

future returns and maximise the Group's collections, also with reference to residual assets, to proceed by the final date of 30/05/2021, with

- the exercise of the right granted by Article 2.7 of the 182-bis Agreement to obtain, as *datio in solutum*, the receivables of Detto Factor S.p.A. corresponding to its percentage of adhesion and corresponding to a total nominal amount of € 63.46 million;
- limited to CRSM, an offer to purchase all residual receivables, including the completion of all receivables held by Detto Factor S.p.A., for a total amount of € 1.76 million and an earn-out clause to be applied to healthcare receivables. The nominal values of the receivables under offer amount to a total of 99.08 million, € 21.99 million attributable to Carifin, € 54.08 million to Plusvalore and € 23.01 million to Detto Factor.

The offer, which was submitted to the adhering creditors outside the CRSM Group, was accepted by more than 60% of the adhering creditors and communicated to CRSM during the summer of 2021. The effects of the assignment took effect on 31/01/2021.

The year 2022: further steps for the completion of the Delta Group's liquidation path.

The transaction relating to the exercise of the option set forth in Article 2.7 of the 182-bis Agreement and the residual offer on receivables due from customers was finalized, with regard to approximately 70% of the residual receivables of Carifin, Plusvalore and Detto Factor, on 20/01/2022. Due to the decision to proceed with a securitisation of said receivables, they were sold to the vehicle company "Heritage SPV S.r.l." These are leasing receivables for which the process of re-entitling the underlying asset had not yet been completed or actions were underway for their regularization, and therefore, different activities were required, which entailed longer timeframes and for which, as of the date of preparation of this document, the finalization phases were underway. In particular, on 21/03/2023, the Heritage securitization was further replenished with a batch of loans, already subject to leasing contracts, for which the underlying asset is no longer present, while the leased loans still have to be acquired with an attached asset, whose registration times entail additional activities that, in all likelihood, will be completed during 2023.

On 28/06/2022, having completed all the necessary formalities, the special purpose vehicle company "Heritage SPV" completed a bond issue consisting of a single class of securities, with legal maturity on 30/09/2033. The value of the bond is a nominal € 42.3 million, against gross receivables from customers of € 134.5 million, of which € 12.8 million from Carifin Italia S.p.A. in voluntary liquidation, € 35.3 million from Plusvalore S.p.A. in voluntary liquidation and € 86.4 million from Detto Factor S.p.A. in voluntary liquidation.

CRSM is the sole underwriter of the aforesaid bond due to the devolutions provided for in the 182-bis Agreement from River Holding to CRSM so that the effect of the debt relief provided for in Article 4.2.1 of the 182-bis Agreement takes place.

With reference to the component of leasing receivables not yet formally acquired, as already indicated above, on 21/03/2023, the Heritage securitization was further fuelled with the pure credit component of the leased contracts, raising the percentage of receivables acquired to approximately 97%, while the movable and/or real estate component of the leased receivables remains to be acquired (approximately 3% of the total) for which it is planned to be transferred into a dedicated vehicle to be completed, most likely, during 2023.

Refunds

In 2022, the procedure made the 69th distribution to the adhering creditors, recognizing a total of €21 million, of which €1 million for debts owed by Carifin, €15 million for Plusvalore and €5 million for Detto Factor.

In total, since the 182bis Agreement was finalized, the three former holding companies have distributed to all adhering creditors € 660 million (€ 244.90 million Carifin Italia, € 328.90 million Plusvalore, € 86.20 million Detto Factor), of which € 335.90 million were paid to CRSM and River Holding S.p.A..

The receipts of River Holding, which, as a result of the 182-bis Agreement, has a delegation of payment towards CRSM, are returned to CRSM net of the *cash reserve* component, that is to say the portion of receipts withheld

Held by River Holding, initially corresponding to 40% of the receipts distributed to it and, as of August 2015, reduced to 10% following the bank's direct entry into the company's capital.

With particular reference to Detto Factor, and to the already mentioned assignment to CRSM and River Holding - pursuant to Art.7, paragraph 1, point (i) of the 182bis Agreement – with regard to the receivables from customers owned by Detto Factor corresponding to the respective percentage share claimed as adhering creditor (for a total of 73.392%), it is acknowledged that the countervalue of said share has been determined at € 31.96 million, of which € 16.02 million attributed to CRSM receivables and € 15.94 million attributed to River Holding receivables.

As a result, CRSM and River Holding had their receivables from Detto Factor reduced by the same amount and, subsequently, as a result of the delegation of payment, River Holding's debt to CRSM was also reduced.

Exposure to the Delta Group as a whole

As a result of the reimbursements received and the accounting generated by having exercised the right pursuant to Article 2.7 of the 182-bis Agreement, in CRSM's financial statements, the residual balance of receivables arising from the 182-bis Agreement, made up of receivables from River Holding S.p.A. - as delegated by the former Sedibanca in the ownership of the residual trade receivables after the spin-off of the banking arm acquired from Intesa Sanpaolo - and from Plusvalore, Carifin Italia and Detto Factor, amounted to € 15.68 million net.

Added to this are:

- the securitization, represented by the bond issued by SPV Project ABS S.r.l. (hereinafter SPV) deriving from the residual non-recourse receivables portfolio and the securitization known as "Cart1", the proceeds of which are collected, giving rise to redemptions of the security on a quarterly basis. In 2022, the security made capital repayments of € 1.185 million and paid coupons of € 296.17 thousand, resulting in a net book value of € 25.04 million. These receipts are in line with the increases recorded in 2021, as a result of the renegotiation of contracts with servicers and the optimization of the proxy process;
- the recently subscribed securitization issued by 'Heritage SPV' with an issue value of € 42.3 million;
- the right to the reimbursement of the sums deriving from the liquidation of the Group, referring to the provisions of Article 6.3 of the 182-bis Agreement letter f), in relation to which it is necessary to specify the accounting procedure followed for the allocation on "Other Assets" of the amount that was previously recognized as the residual value of the equity investment in Delta held through the subsidiary SIE and indirectly represented by the amount of SIE's exposure to CRSM, as also reported in the section "Main actions during 2022".

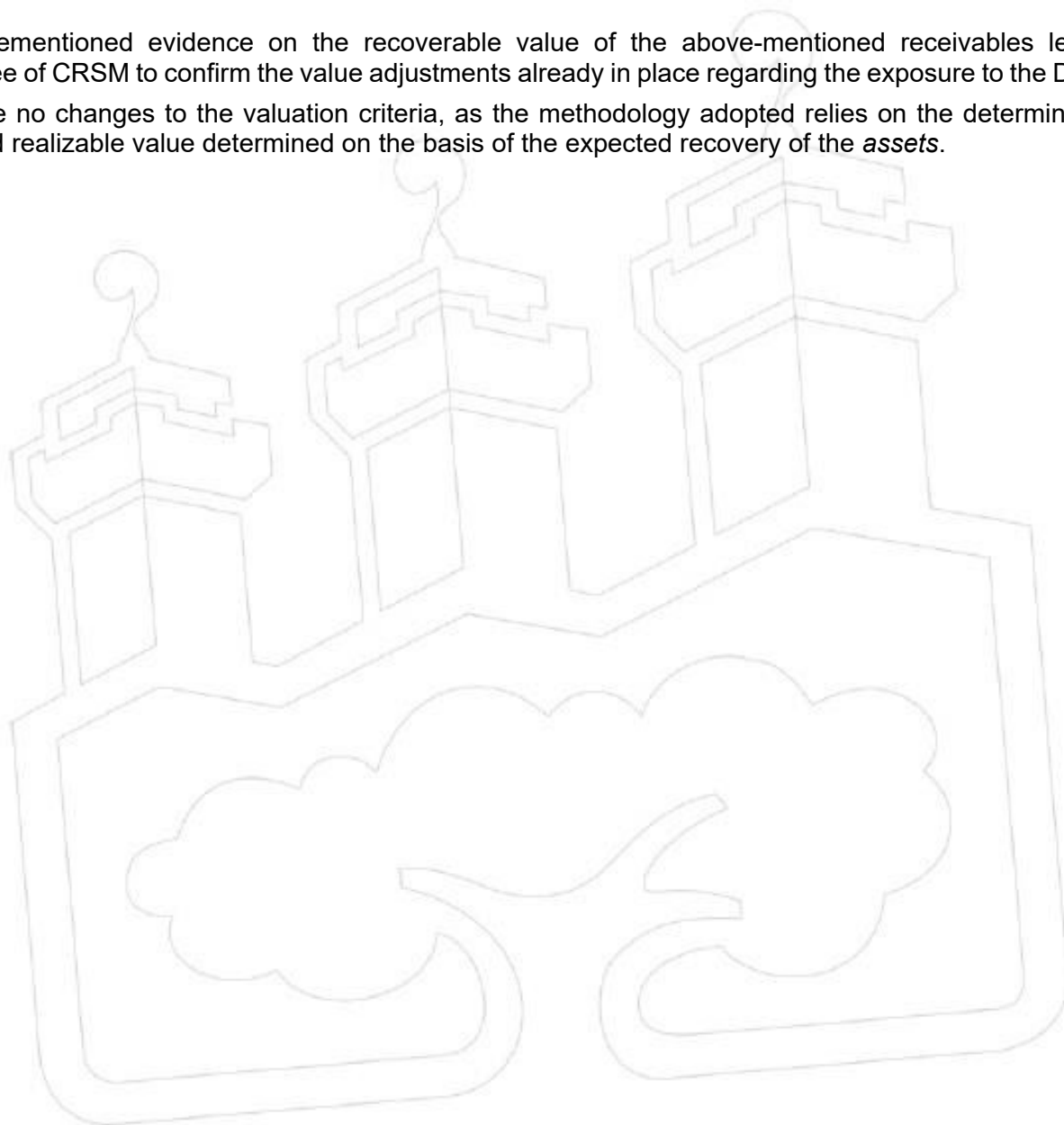
Specifically, on 30/11/2022, SGCD, Società Gestione Crediti Delta S.p.A. presented to all adhering creditors the document 'Estimate of Delta Group's Residual Liquidity and Residual Assets', drafted with the scrutiny of the auditing firm E&Y. The document contains assessments of the Delta Group's realization scenarios for all participating creditors and, consequently, also for CRSM. The document shows the realization scenarios for CRSM and the participating creditors assuming two scenarios called '*worst*' and '*best*'. In neither of the two scenarios under consideration, Sviluppo Investimenti Estero S.p.A., a wholly-owned subsidiary of CRSM, but holder of the participating rights in the Delta Group, is the recipient of liquidation assets (see Article 6.3 of the 182-bis Agreement, letter f). As a result of the above, the Board of Directors of SIE, in agreement with the parent company CRSM, commenced a series of verifications, supported by appropriate opinions, as well as - limited to tax matters - by a positive interpellation submitted to the Tax Authorities. After it, having ascertained that SIE would not receive any amount from the liquidation of the Group, even in the case of the scenario defined as "*best*", the Board of Directors of SIE proceeded with the full write-down of the value of the equity investment in the 2021 financial statements. CRSM, the holder of a receivable from SIE, which had been granted to the investee company in order to collate any shareholding rights vis-à-vis the Delta Group, reclassified the residual amount of €50.50 million under the item "Other Assets", noting that the amount recorded - illo tempore - under item A3.ter Receivables indirectly related to restructuring, by reason of the content of the document "Estimate of Residual Liquidity and Residual Assets of the Delta Group", will be recognized to CRSM itself, not by reason of the normal chain of holding, but exclusively by reason of the provisions of Article 6.3 of the 182-bis Agreement.

As a result, today the item representing CRSM's right to receive what is provided for in the aforementioned article of the 182-bis Agreement, released from the corporate transfer, is placed under 'Other Assets' in the net amount of €50.50 million.

With regard to the balance sheet valuations of the exposure pertaining to the 182-bis Agreement, it is noted that the methodology adopted for the purposes of an overall valuation was based on the analysis provided by the liquidator of Delta S.r.l. by means of the estimates provided by SGCD with the support of E&Y and commented extensively above, which indicated the expected recovery percentages based on the valuation of other residual assets, net of payables. Since these are in any case liquidation scenarios, the assumptions made are extremely conservative and CRSM's current exposure is, more than adequately, in line with the most conservative recovery scenario.

The aforementioned evidence on the recoverable value of the above-mentioned receivables led the Risk Committee of CRSM to confirm the value adjustments already in place regarding the exposure to the Delta Group.

There are no changes to the valuation criteria, as the methodology adopted relies on the determination of the estimated realizable value determined on the basis of the expected recovery of the *assets*.



Assets

CRSM's shareholders' equity, including the General Financial Risk Fund and the profit for the year of €1.36 million, amounted to €106.84 million, substantially in line with the previous year's figure.

The regulatory capital stands at € 81.92 million and the "total cash and off-balance sheet assets", an element for the calculation of the solvency ratio, at € 507.82 million. The ratio of regulatory capital to "total cash and off-balance sheet assets" results in a solvency ratio of 16.13%, since the 2020 financial year permanently above the minimum ratio of 11%, as stipulated in Article VII.III.9 of Regulation No. 2007-07.

Net assets and Regulating capital				
Figures in millions of €	31/12/2022	31/12/2021	Variation	Variation %
Net assets	106,84	107,48	-0,64	-0.60%
Operating result	1,36	1,74	-0,38	-21.84%
Regulating capital	81,92	90,32	-8,40	-9.30%
Total cash and off-balance sheet assets	507,82	491,65	16,17	3.29%
Solvency ratio	16.13%	18.37%	-2.24%	

For more in-depth information on the topic, refer to paragraph "31.1 Prudential aggregates" of the Notes to the accounts

Reclassified Profit and Loss Account

RECLASSIFIED PROFIT AND LOSS ACCOUNT (€/thousands)	31/12/2022	31/12/2021	Variation	%
Interest income	19.193	18.282	911	4.98%
- interest income from customers	9.050	8.841	209	2.36%
- interest income from securities	9.959	9.572	387	4.04%
- interest income from banks (net of interest expenses)	184	-131	315	240.46%
Interest expenses	-4.420	-5.737	1.317	22.96%
- interest expenses from customers	-1.120	-1.148	28	2.44%
- interest expenses from securities	-3.301	-4.589	1.288	28.07%
Dividends	1.015	181	834	460.77%
Interest margin	15.788	12.726	3.062	24.06%
Profit/Losses from financial operations	-5.053	1.705	-6.758	-396.36%
Commission income	6.966	6.361	605	9.51%
Miscellaneous income	4.018	4.694	-676	-14.40%
<i>of which other operating income leasing</i>	2.318	3.447	-1.129	-32.75%
Sundry charges	-52	-21	-31	-147.62%
Miscellaneous payable	-1.933	-1.563	-370	-23.67%
Intermediation margin	19.734	23.902	-4.168	-17.44%
Administrative expenses	-14.028	-13.730	-298	-2.17%
- personnel costs	-7.389	-7.291	-98	-1.34%
- other administrative expenses	-6.639	-6.439	-200	-3.11%
Operating result	5.706	10.172	-4.466	-43.90%
Operating result with depreciation	862	3.973	-3.111	-78.30%
Value adjustments on Fixed Assets	-4.844	-6.199	1.355	21.86%
<i>of which lease depreciation</i>	-2.318	-3.447	1.129	32.75%
Value Adjustments and Reversals on Receivables	-11.024	-140	-10.884	-7774.29%
Provision for credit risks	0	0	0	
Value adjustments and write-backs of financial assets	0	33	-33	
Provisions for risks and charges	-654	-861	207	24.04%
Result from ordinary activities	-10.816	3.005	-13.821	-459.93%
Extraordinary management balance	10.173	3.739	6.434	172.08%
Change in provision for general financial risks	2.000	-5.000	7.000	1,4
Profit before tax	1.357	1.744	-387	-22.19%
Income taxes	0	0	0	
Result for the year	1.357	1.744	-387	-22.19%

A prudent funding policy led to a relevant improvement in net interest income, in a context of slight growth in volumes. This result made it possible to better cope with the effects of financial market trends, which had an impact on the item profits and losses from financial transactions. In fact, only part of the prudential provision to the General Financial Risk Fund, made at the end of 2021 financial year, was used, with the aim of being able to cope with the effects of the global crisis generated by the Russian-Ukrainian conflict.

It should also be noted that the items relating to adjustments/write-backs of receivables and extraordinary operations present offsetting effects that should be interpreted jointly and which are more fully mentioned in Section 28.5 of the Notes to the Accounts.

Margin Analysis

MARGIN* ANALYSIS				
(amounts in thousands of €)	31/12/2022	31/12/2021	Variation	Variation %
Interest margin*	15.788	12.726	3.062	24.06%
Intermediation margin	19.734	23.902	-4.168	-17.44%
of which other operating income - Leasing	2.318	3.447	-1.129	-32.75%
Administrative expenses	-14.028	-13.730	-298	-2.17%
- Personnel expenses**	-7.389	-7.291	-98	-1.34%
- Other administrative expenses	-6.639	-6.439	-200	-3.11%
Operating result	5.706	10.172	-4.466	-43.90%
Operating result with depreciation	862	3.973	-3.111	-78.30%
Resultat from ordinary activities	-10.816	3.005	-13.821	-459.93%
Result for the year	1.357	1.744	-387	-22.19%

*recalculated on the reclassified profit and loss account

**including remuneration to directors and auditors

An analysis of margins shows an improved interest margin compared to the previous year, mainly due to the reduction in the cost of funding, pursued with a prudent management of rates that, on the one hand, did not penalize funding volumes and, on the other, more than offset the lower growth in interest income from loans. The trend in net interest and other banking income, which was penalized by the events that occurred in spring 2022 with the outbreak of the Russian-Ukrainian conflict, whose repercussions on the world economy led to a significant contraction in the profitability of financial instrument portfolios, which therefore burdened the balance sheet with the recording of capital losses, was different. Administrative expenses showed a small increase mainly due to legal expenses from debt collection, while personnel costs were almost stable. The operating result, although penalized by the result of the financial segment, remains positive. The result from ordinary activities includes an entry of € 9.9 million as a value adjustment on receivables, to be assessed in conjunction with a contingent asset of the same amount entered under extraordinary items (see the more extensive section 28.5 of the Notes to the Accounts), which leads - together with the release of € 2 million from the General Financial Risks Fund - to the second positive economic result, after 11 years of losses.

In terms of efficiency, there was an improvement in all the indicators referring to funding and, with reference to the profitability parameters, there was substantial stability in the indicators, with positive ROE and ROA. As far as the cost/income ratio is concerned, it should be noted that, even today, it is still affected by the presence, among the assets in the balance sheet, of the exposures attributable to the 182-bis Agreement, which, referring to restructuring agreements signed under the aegis of bankruptcy law, do not produce interest for the bank.

EFFICIENCY INDICATORS				
(amounts in units of €)	31/12/2022	31/12/2021	Variation	Variation %
Gross loans to customers/Average number of employees	8.604.534	10.031.138	-1.426.604	-14.22%
Savings collection/Average number of employees	13.406.886	13.254.076	152.810	1.15%
Total collection/Average number of employees	18.840.171	16.832.340	2.007.831	11.93%
Gross Banking Product per employee	27.444.705	26.863.478	581.227	2.16%
Mg brokerage/Average number of employees	195.058	233.783	-38.725	-16.56%
Operating costs/Average number of employees	138.658	134.292	4.366	3.25%
Gross operating result*/Average number of employees	8.520	38.860	-30.340	-78.08%
Value added per employee	81.556	110.172	-28.616	-25.97%
Average personnel cost per employee*	67.432	67.208	224	0.33%
Average number of employees	101.17	102.24	-1	-1.05%

*with depreciation

PROFITABILITY INDICATORS			
	31/12/2022	31/12/2021	Variation %
Interest margin/brokerage margin*	90.65%	62.21%	45.72%
Services margin/brokerage margin**	9.35%	37.79%	-75.26%
Cost**/income ratio	95.63%	83.38%	14.69%
Operating income**/brokerage margin	4.37%	16.62%	-73.71%
Leverage (average assets/equity)	14.34	17.06	-15.94%
ROA	0.09%	0.11%	-18.18%
ROE	1.27%	1.62%	-21.60%

*excluding leasing income

**includes depreciation

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

The 2023 financial year opened with a high degree of uncertainty about the global economy's development, with a tight, synchronized approach to monetary policies. The climate of uncertainty persists in the financial markets, which, starting in 2022, had to face one of the most complex periods of the last decade, and which are now faced with the turmoil generated by the crisis in the US and Swiss banking sectors.

In fact, in March 2023, a number of US regional banks (SVB, First Republic) and one non-EU bank (Credit Suisse) entered a liquidity crisis and needed state or systemic intervention through competing banks. This crisis was triggered by the sudden rises in interest rates over the past year, with negative consequences on the securities portfolio (also due to inefficient management choices in the selection of securities) and regulatory and supervisory failures.

CRSM has a slight exposure, less than 1% of the total securities portfolio, to two senior bonds of Credit Suisse, which do not present any particular problems at present, while it has no exposure to US regional banks.

On the other hand, analyzing the events that occurred in this first quarter, CRSM gave further impetus to the activities aimed at liquidating the Delta Group by proceeding with the further acquisition, through the vehicle "Heritage SPV S.r.l.", of a residual lot of receivables, already subject to leasing contracts, for which the underlying asset is no longer present, thus raising the percentage of completion of the operation to acquire the residual receivables from customers already held by the former finance companies to 97% and with the aim of rapidly concluding the entire process, also acquiring the lot of leasing receivables with underlying asset for which, the compulsory re-insertion processes, have led to the deferment of assets. The capital impact of the transaction led to an increase in the nominal value of the Heritage bond, Isin IT0005499253, of € 537 thousand.

CRSM, in consultation with the entire banking system, is in the process of determining the batch of NPL loans that will be transferred in the coming months to the securitization vehicle to be established under the law.

FORESEEABLE EVOLUTION OF OPERATIONS

The Russian-Ukrainian conflict, the sanctions against Russia, the worsening macroeconomic forecasts and the rising cost of raw materials lead to a scenario of uncertainty for the financial markets and the banking industry. While the prospects of rising interest rates have already had a depressing effect on bond prices, the effect on the ability to repay creditors who are directly or indirectly affected by the macroeconomic and geopolitical problems mentioned above still appears uncertain.

CRSM started in 2020, with the implementation of the 2020 - 2023 Business Plan, a path of challenging targets that led the bank to its second positive result, in terms of operating result, after 11 financial statements closed with a loss.

At the end of December, the Board of Directors, following the appointment of the General Manager, wished to give further impetus to the achievement of the Plan's objectives, which will be the subject of a new draft, *in-house*, during the year 2023, according to the identified development drivers; in particular, a statement of the more detailed actions to be pursued was presented to the Board of Directors at the end of December and, subsequently, in January 2023, with particular emphasis on the search for IT solutions to make processes as efficient as possible.

In view of the focus - also highlighted by the IMF and Fitch - on the importance of completing the process of transferring NPL loans to the system's vehicle, CRSM has implemented every action aimed at finalizing the project, which will be completed in 2023; this is in view of the fact that the bank's objective is, and will be, the constant improvement of *asset quality* and, with it, the NPL ratio. Freeing the balance sheet from the management and economic effects of the bank's NPLs also has the objective of directing energies towards activities with greater added value and more consistent with the lines of *business*.

As far as the bank's core business is concerned, CRSM intends to continue with a comprehensive offer in the banking, financial, and also insurance fields, pursuing the main objective of constant growth combined with lasting profitability, to be achieved through a focus on diversification of the offer with the consequent containment of risks and an increase in service revenues.

The push towards international business also continued, with a particular focus on the non-EU market, as a means of overcoming the dimensional limits of the domestic market and finding new sources of funding. This becomes the means by which one can move towards diversifying sources of profitability to allow for growing revenues, in a context of adequate risk control.

Maximum attention is paid to monitoring, on an ongoing basis, the evolution of the Ukrainian crisis and its repercussions on operations with Russian counterparties, as well as the events that are affecting, more recently, the banking sector, carefully and in a balanced manner, monitoring the risks arising from the geopolitical and financial situation and any opportunities.

Among the critical elements noted is the increased competition from non-resident intermediaries, who, due to their size and the economies of scale from which they benefit, operate in the market on more advantageous terms.

Particular attention is paid to the liquidation process of the Delta Group for which the bank, considering the strategic relevance and the benefits that would derive from the reduction of liquidation time, has a batch of initiatives and actions underway to complete the aforementioned process in the medium term.

DISTRIBUTION PLAN OF THE ANNUAL RESULT

Article VII.III.1 of Regulation No. 2007-07 stipulates that supervised entities must set aside at least 20% of the net profit earned at the end of each financial year, which for CRSM amounts to €1,356,225.02 in 2022, to the ordinary reserve fund, which for the current financial year is €271,245.00.

Net of the ordinary reserve fund, CRSM could resume paying dividends to the shareholder, however, in order to take into account the potential risks to the bank arising from the unstable economic environment, also generated by the continuing geo-political situation caused by the ongoing conflict between Russia and Ukraine, it would also be desirable to capitalize the remaining 80% (€1,084,980.02).

In this regard, please refer to the section of the Notes to accounts entitled "Proposals concerning the result for the year", where the previous considerations and the related balance sheet results are duly explained.

* * *

The Board of Directors thanks the Board of Statutory Auditors, the Supervisory Authority and the executive structure for their work and support.



Balance sheet schemes

Section 2 – BALANCE SHEET SCHEMES

BALANCE SHEET ASSETS

Asset items		31 December 2022	31 December 2021
10	CASH AND BALANCES WITH CENTRAL BANKS AND POSTAL INSTITUTIONS	15.002.067	8.520.060
20	TREASURY BONDS AND OTHER FINANCIAL INSTRUMENTS ELIGIBLE FOR REFINANCING WITH CENTRAL BANKS	0	0
	a) Treasury bills and other similar financial instruments	0	0
	b) Other financial instruments eligible for refinancing with central banks	0	0
30	RECEIVABLES FROM CREDIT INSTITUTIONS	132.431.110	124.390.316
	a) on sight	80.501.781	101.045.946
	b) other receivables	51.929.329	23.344.370
40	LOANS AND ADVANCES TO CUSTOMERS	264.296.584	358.116.624
	a) on sight	57.417.136	121.975.823
	b) other receivables	206.879.448	236.140.801
50	BONDS AND OTHER DEBT FINANCIAL INSTRUMENTS	644.971.822	604.916.943
	a) of public issuers	511.879.654	521.645.456
	b) of credit institutions	31.026.514	26.808.783
	c) financial undertakings other than credit institutions	87.582.133	43.576.759
	d) other issuers	14.483.521	12.885.945
60	SHARES, QUOTAS AND OTHER CAPITAL FINANCIAL INSTRUMENTS	66.677.654	84.263.078
70	SHAREHOLDINGS	13.763.354	13.758.104
	a) Financial companies	13.429.223	13.429.223
	b) Non-financial companies	334.131	328.881
80	SHAREHOLDINGS IN GROUP COMPANIES	24.478.079	24.702.010
	a) Financial companies	20.805.432	21.080.941
	b) Non-financial companies	3.672.647	3.621.069
90	INTANGIBLE FIXED ASSETS	2.688.251	1.145.197
	a) Financial leasing	390.032	443.469
	- of which assets under construction	0	0
	b) Assets awaiting lease termination	0	0
	- of which for tenant default	0	0
	c) Assets available from debt collection	0	0
	- of which assets available for extinguishment of the claim by settlement agreement	0	0
	d) Start-up	0	0
	e) Installation expenses	0	0
	f) Other intangible fixed assets	2.298.219	701.728
100	TANGIBLE FIXED ASSETS	74.921.392	78.024.147
	a) Financial leasing	15.536.425	17.328.817
	- of which assets under construction	0	0
	b) Assets awaiting lease termination	8.292.555	7.822.693
	- of which for tenant default	8.292.555	7.822.693
	c) Available assets from debt collection	1.697.463	1.697.463
	- of which assets available for extinguishment of the claim by settlement agreement	430.000	430.000
	d) Land and buildings	48.465.557	50.075.095
	e) Other tangible fixed assets	929.392	1.100.079
110	CAPITAL SUBSCRIBED AND NOT PAID UP	0	0
	- of which called-up capital	0	0
120	OWN SHARES OR QUOTAS	0	0
130	OTHER ASSETS	297.432.295	239.147.523
140	ACCRUED INCOME AND PREPAID EXPENSES	332.499	306.395
	a) accrued income	174.499	121.685
	b) prepaid expenses	158.000	184.710
150	TOTAL ASSETS	1.536.995.107	1.537.290.397

BALANCE SHEET LIABILITIES

Liabilities	31 December 2022	31 December 2021
10 DUE TO CREDIT INSTITUTIONS	346.039	555.139
a) on sight	346.039	555.139
b) term or with notice	0	0
20 AMOUNTS DUE TO CUSTOMERS	927.365.002	924.038.374
a) on sight	759.273.233	805.304.581
b) term or with notice	168.091.769	118.733.793
30 DEBTS REPRESENTED BY FINANCIAL INSTRUMENTS	420.538.816	417.611.262
a) bonds	3.121.755	9.994.080
b) certificates of deposit	417.417.061	407.617.182
c) other financial instruments	0	0
40 OTHER LIABILITIES	62.403.281	60.046.881
<i>of which cheques in circulation and assimilated securities</i>	<i>686.387</i>	<i>754.050</i>
50 ACCRUED EXPENSES AND DEFERRED INCOME	152.289	179.444
a) accrued expenses	20.325	38.298
b) deferred income	131.964	141.146
60 SEVERANCE PAY	413.635	397.605
70 PROVISIONS FOR RISKS AND CHARGES	10.868.732	14.001.941
a) pension funds and similar obligations	1.007.938	1.093.066
b) provisions for taxes and duties	97.117	134.292
c) other funds	9.763.677	12.774.583
80 PROVISIONS FOR CREDIT RISKS	0	0
90 PROVISION FOR GENERAL FINANCIAL RISKS	3.000.000	5.000.000
100 SUBORDINATED LIABILITIES	8.069.635	12.978.298
110 SUBSCRIBED CAPITAL	100.634.322	100.634.322
120 ISSUE SURCHARGES	0	0
130 RESERVES	1.847.131	103.572
a) ordinary or legal reserve	348.712	0
b) reserve for own shares or quotas	0	0
c) statutory reserves	0	0
d) other reserves	1.498.419	103.572
140 REVALUATION RESERVE	0	0
150 RETAINED EARNINGS (LOSSES)	0	0
160 PROFIT (LOSS) FOR THE YEAR	1.356.225	1.743.559
170 TOTAL LIABILITIES	1.536.995.107	1.537.290.397

GUARANTEES AND COMMITMENTS

Items of Guarantees and Commitments	31 December 2022	31 December 2021
10 Guarantees issued	170.609.121	173.527.478
a) acceptances	368.946	183.776
b) other guarantees	170.240.175	173.343.702
20 Commitments	9.074.405	5.973.931
a) certain use	2.001.069	856.529
<i>of which: financial instruments</i>	<i>313.044</i>	<i>46.086</i>
b) uncertain use	7.073.336	5.117.402
<i>of which: financial instruments</i>	<i>30.367</i>	<i>30.890</i>
c) other commitments	0	0
TOTAL	179.683.526	179.501.409

PROFIT AND LOSS ACCOUNT

Profit and Loss Account Items	31 December 2022	31 December 2021
10 Interest and similar income:	19.194.009	18.282.044
a) on claims against credit institutions	184.309	-131.313
b) on loans to customers	9.050.227	8.840.946
c) on debt securities	9.959.473	9.572.411
20 Interest expenses and similar charges:	-4.420.337	-5.737.576
a) on amounts due to credit institutions	-9	-96
b) on amounts due to customers	-1.119.554	-1.148.457
c) on debts represented by securities	-3.300.774	-4.589.023
<i>of which: on subordinated liabilities</i>	-69.219	-117.315
30 Dividends and other income	1.014.882	181.440
a) on shares, quotas and other equity securities	80.842	181.440
b) on participations	0	0
c) on participations in group companies	934.040	0
40 Commission income	6.965.939	6.361.432
50 Commissions payable	-1.933.080	-1.563.131
60 Gains (losses) on financial transactions	-5.053.297	1.704.680
70 Other operating income	4.017.893	4.693.543
80 Other operating expenses	-52.117	-20.622
90 Administrative expenses	-14.027.794	-13.730.806
a) Staff expenses	-7.389.058	-7.291.388
wages and salaries	-4.935.306	-5.049.243
social security charges	-1.309.844	-1.254.174
severance pay	-437.362	-413.669
pensions and similar obligations	-139.543	-154.247
directors and auditors	-478.310	-357.729
other personnel expenses	-88.693	-62.326
b) Other administrative expenses	-6.638.736	-6.439.418
100 Value adjustments on intangible fixed assets	-411.334	-560.458
110 Value adjustments on tangible fixed assets	-4.432.625	-5.638.220
120 Provisions for risks and charges	-682.153	-861.028
130 Provisions for credit risks	0	0
140 Value adjustments on loans and provisions for guarantees and commitments	-13.801.703	-8.145.041
150 Write-backs of loans and provisions for guarantees and commitments	2.805.234	8.004.987
160 Value adjustments on financial fixed assets	0	-242.750
170 Write-backs of financial fixed assets	0	275.879
180 Profit (loss) from ordinary activities	-10.816.483	3.004.373
190 Extraordinary income	10.602.713	3.986.020
200 Extraordinary expenses	-430.005	-246.834
210 Extraordinary profit (loss)	10.172.708	3.739.186
220 Taxes for the year	0	0
230 Change in the General Financial Risk Fund	2.000.000	-5.000.000
240 Profit (loss) for the year	1.356.225	1.743.559