



# **ARTICLES OF ASSOCIATION**

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### BANCA AGRICOLA COMMERCIALE – ISTITUTO BANCARIO SAMMARINESE S.p.A.

#### TITLE I: NAME - PURPOSE - REGISTERED OFFICE - AND DURATION

**ART. 1** - A Joint Stock Company is hereby incorporated under the name BANCA AGRICOLA COMMERCIALE - ISTITUTO BANCARIO SAMMARINESE S.p.A., as a continuation of the Banca Agricola of the Republic of San Marino founded in 1920 and recognized by the Most Excellent Great and General Council in its session of 29 May 1920. The company may also be referred to simply as “Banca Agricola Commerciale S.p.A” or “BAC S.p.A.” with or without punctuation and without constraints on graphic representation.

**ART. 2** - 1. The Company's object is banking, defined in Annex 1 of Law 17/11/2005 no. 165 as the collection of savings from the public and the exercise of credit, as well as all other reserved activities compatible with it, such as, by way of example, investment services as per letters D1,D2,D3,D4,D5,D6,D7,D8 and D9 of Annex 1 of the ISF Act, data communication services on transactions concluded on financial instruments at trading venues, as per letter D-ter of Annex 1 limited to the trading systems operated by the banks themselves, payment services, electronic money issuing services, foreign exchange intermediation, equity investment activities and any other activity ancillary, instrumental or related to the foregoing, in compliance with the provisions of the applicable laws and supervisory regulations and subject to authorisation by the Central Bank of the Republic of San Marino, where required.

The company's object is also fiduciary activity, i.e. the administration with prior agreement of financial instruments, corporate shareholdings or other movable assets of third parties, including intangible assets, in its own name and in execution of a fiduciary mandate.

2. The company may also carry out insurance and reinsurance mediation pursuant to Article 26 of Law No. 165 of 17/11/2005.

3. The Company, in compliance with the applicable legal and supervisory provisions, may acquire participations in San Marino and abroad.

4. The company may also carry out the following related, instrumental or accessory activities:  
(a) administration of real estate acquired for the functional use of the Bank pursuant to Article VII.VII.1 and for debt collection pursuant to Article VII.VII.2 of Regulation 2007-07

b) provision and management of IT services for its own use or for use by subsidiaries or parent companies;

c) study, research, analysis, in economic and financial matters;

(d) processing, transmission, communication of economic and financial data and information;

(e) advice to undertakings on financial structure, industrial strategy and related matters, and advice and services relating to mergers and the purchase of undertakings

(f) renting of safe-deposit boxes and closed deposits;

g) professional exercise of the office of trustee, also in San Marino, where authorised by the Central Bank pursuant to Delegated Decree No. 49/2010 and subsequent amendments and integrations.

**ART. 3** - The Company has its registered and administrative headquarters in Castello di Serravalle, in Località Dogana, Via 3 Settembre n. 316.

The Company may establish subsidiaries, branches, agencies and secondary offices in any location within the territory of the Republic of San Marino and also abroad. In the event of the establishment of secondary offices, such offices will be indicated in these Bylaws.

**ART. 4** - The Company has a duration until 31/12/2100 unless extended to be decided by a shareholders' resolution.

## **TITLE II: SHARE CAPITAL**

**ART. 5** - The shareholders' equity of the Company consists of the Share Capital, the Ordinary Reserve Fund and the Extraordinary Reserve Fund, and any additional Reserves or Funds, as resolved by the Shareholders' Meeting, in accordance with the applicable provisions of the Law and/or the Supervisory Authority.

**ART. 6** - The share capital is set at €20,880,080 divided into 803,080 registered shares with a par value of €26.00 (twenty-six) each.

**ART. 7** - Each share entitles the holder to one vote. Shares are registered and indivisible.

In the case of co-ownership of a share, the rights of the co-owners shall be exercised by a common representative; if the common representative has not been appointed, notices and declarations made by the Company to any one of the co-owners shall be effective against all. The co-owners of the action shall be jointly and severally liable for the obligations arising therefrom.

In the case of a pledge, or any other lien on shares, the voting right always belongs to the pledgee, unless otherwise agreed in the deed of pledge.

In the case of beneficial interest, the voting right belongs, unless otherwise agreed, to the beneficiary.

The transfer of shares and the pledge deed are effective against the Company only after an entry is made in the Register of Shareholders.

Shareholders dissenting from resolutions regarding the substantial change in the corporate purpose have the right to withdraw from the Company and obtain redemption of their shares, provided that the effects of withdrawal and/or redemption are not in conflict with current legal and supervisory provisions.

**ART. 8** - The company may purchase its own shares within the limits and in the manner prescribed by the applicable legal and supervisory provisions.

The company may also issue shares with rights other than ordinary shares by establishing homogeneous classes of shares.

Any special shares that may be issued shall enjoy the rights expressly provided for them in the act that shall establish and regulate their issuance.

Share certificates issued in accordance with the provisions of the Companies Law will be signed by the Company's legal representative and the Statutory Auditors.

No shares may be issued for amounts less than their nominal value.

**ART. 9** - In the event of a capital increase, the pre-emptive right to the new shares shall be reserved for the shareholders in proportion to the shares held by each.

The shareholders' meeting shall establish the terms and procedures for exercising the option right; the time limit shall run from the day the minutes of the relevant meeting are filed with the Court Clerk and may not be less than ten days.

Those who exercise the option right, provided they make a simultaneous request, shall have a right of first refusal in the purchase of the shares that will remain unpurchased.

The shareholders' meeting shall determine in the capital increase resolution how and when to place those shares that remain unpurchased.

**ART. 10** - Membership entails unconditional adherence to the bylaws and all resolutions of the corporate bodies.

Membership also entails, for any relationship with the Company, the election of domicile at the registered office.

Shareholders note that their right to information is limited to communications submitted to them for the purpose of approving the annual and interim financial statements, and that their power to direct the company's management can only be expressed through the appointment and removal, at the shareholders' meeting, of corporate officers.

**ART. 11** - The company may issue registered bonds under the observance of legal and supervisory provisions and in the manner of placement and redemption to be determined by the Board of Directors.

The company may also issue bonds convertible into shares and bonds with warrants, which give the subscriber rights to shares in the bank, in accordance with the terms resolved by the Shareholders' Meeting sanctioning the issue.

**ART. 12** - The Company may issue bond certificates in compliance with the legal and supervisory regulations in force from time to time.

### **TITLE III: SHAREHOLDERS' MEETING**

**ART. 13** - The shareholders' meeting legally convened and duly constituted, represents the universality of the Shareholders, its resolutions taken in accordance with the law and these bylaws are binding on all the shareholders even if they are not present or dissenting or incapacitated. It shall be convened at the registered office or, exceptionally, at another place indicated in the notice of meeting as long as it is located in the territory of the Republic.

The following decisions are reserved for the shareholders' meeting:

- a) the election of Directors, determination of their number and emoluments, election of the Chairman and Vice Chairman;
- b) the election of Statutory Auditors, the determination of the Statutory Auditors' emoluments, the election of the Chairman of the Board of Statutory Auditors;
- c) the action of liability against Directors and Statutory Auditors;
- d) the approval of annual budgets;
- e) the allocation of budget profits;
- f) the merger with and absorption of other Companies;
- g) the reinstatement, increase and determination of the share capital, the liquidation of the Company, the appointment of the liquidator or liquidators and their remuneration;
- h) the change of the corporate purpose;
- i) the appointment of an auditing firm to audit the accounts and certify the financial statements;
- l) any other decision that by law is reserved for the shareholders' meeting, including any amendment to the bylaws;
- m) resolution on any other item on the agenda.

**ART. 14** - The shareholders' meeting shall be held at least once a year within the terms to deliberate on the budget and any other items proposed by the Board of Directors.

Meetings may be held when the Board of Directors deems it appropriate, or when at least 1/5 of the share capital requests it in writing.

**ART. 15** - Meetings shall be convened in the manner prescribed by law by the Chairman or his or her deputy.

If the Directors fail to convene the Shareholders' Meeting as provided in the preceding article, any shareholder may request the Commissioner of the Law to arrange for the Shareholders' Meeting itself to be convened and to designate the person who is to preside over it.

Notice of the Meeting shall be sent to all members by regular mail or other communication, including in electronic format.

The convocation notice shall contain the place, day, and time of the meeting, as well as a complete list of the items on the agenda, avoiding the use of generic-residual wording.

The same notice will indicate the day and time of the second meeting, which will be held in the event that the first is attended by a number of members who by bylaws do not represent the portion of capital required for the meeting to be valid. The second meeting may take place on the same day as the first.

In any case, the meeting is validly constituted and legitimated to deliberate even on matters not on the agenda, with the exception of the approval of the financial statements, when all those entitled to do so are present and no opposition arises to the discussion of the matter.

Amendments to the bylaws may, however, be validly adopted only after the Chairman has produced the compliant authorization issued by the Supervisory Authority at the meeting.

**ART. 16** - Any shareholder who is registered in the shareholders' register at least five days before the date set for the meeting in first call has the right to attend the meeting.

**ART. 17** - Shareholders who have the right to attend the meeting must attend either in person or through an authorized representative by written power of attorney. Such power of attorney shall be valid only for a single meeting on first and second call. Directors, Statutory Auditors, Auditors and employees of the Company may not represent Shareholders at the meeting.

**ART. 18** - The right to vote may not be exercised by Members who, on their own behalf or on behalf of third parties, have an interest in conflict with that of the Company.

Votes concerning persons may be taken by secret ballot if so requested by 10% of the shares present at the meeting.

The quorum for the validity of the resolution of the corporate liability action must be at least 60% of the share capital.

**ART. 19** – The meeting is chaired by the Chairman of the Company, in his absence by the Vice Chairman, or in his absence, by the Managing Director if appointed. In the absence of the Vice Chairman and the Managing Director, the Meeting shall be chaired by the oldest member of the Board of Directors among those present.

The Chairman may be assisted by a secretary designated from among those present, including in the person of a non-Member, by a majority of those present. In addition to the cases provided by law, when the Chairman deems it appropriate, a Notary Public, designated by the Chairman himself, may be called upon to act as Secretary.

The Chairman, in case of a secret ballot, shall appoint two scrutineers chosen by him from among those present.

**ART. 20** - Shareholders' Meetings may also be held remotely, by audio and video teleconference, in accordance with the provisions and procedures established by the Companies Act from time to time.

**ART. 21** - The meeting is regularly constituted when as many members as represent in person or by proxy are present:

- on first call at least 65% of the share capital;
- on second call at least 50% of the share capital.

On first and second call, the meeting shall pass resolutions by a majority of the votes of the shares represented at the meeting.

It is the responsibility of the chairman of the meeting to verify the right of attendance, to ascertain the regularity of the call and constitution of the meeting, to direct and regulate the discussion, and to determine the order and manner of voting.

The ascertainment of the legal constitution of the meeting, once it has taken place, is valid for the entire duration of the meeting itself, therefore, the validity of its resolutions cannot be challenged due to abstention from voting or the departure of those present, occurring for any reason whatsoever, later in the course of the meeting.

**ART. 22** – The resolutions of the meeting must be recorded in minutes which, if not drawn up by a Notary Public, must be signed by all those present.

Such minutes shall be signed by the Chairman of the Assembly and the Auditors present, if the Secretary of the Assembly is a Notary Public.

Voting shall be by a show of hands.

Resolutions shall be adopted by secret ballot if requested by 10 percent of the shareholders present at the meeting.

All minutes of shareholders' meetings must be transmitted in true and complete copy to the Supervisory Authority within 10 days of their entry in the Companies Register by the Chairman or the Notary Public appointed by him.

Notwithstanding the above, in cases of amendments to the bylaws, within 10 days of the date of the Shareholders' Meeting, the company must submit the full text of the bylaws, as amended, to the Supervisory Authority by electronic mail.

**ART. 23** - Under penalty of forfeiture, any action to challenge a resolution of the Shareholders' Meeting, taken not in accordance with the law and these Bylaws, must be brought before the Judicial Authority of the Republic of San Marino within the term provided by the Law on Companies.

The annulment of the resolution has effect with respect to all the Shareholders and obliges the Directors to take the consequent measures, in any case the rights acquired in good faith by third parties on the basis of acts performed in execution of the resolution are not affected. The annulment of the resolution cannot take place if the contested resolution is replaced by another one taken in accordance with the law and the Articles of Association.

#### **TITLE IV: THE BOARD OF DIRECTORS**

**ART. 24** - The company is administered by a Board of Directors consisting of three to ten members, one of whom serves as Chairman, appointed by the Shareholders' Meeting in accordance with the law.

All members of the Board of Directors must meet the requirements of honorability, professionalism, and independence stipulated by current legal and supervisory provisions and are obliged to:

- a) give immediate notice to the Board of Directors and the Board of Statutory Auditors in the event of loss of one or more of the requirements of honorability or independence
- b) submit the certifications and/or self-certifications required for legal and supervisory purposes to the company in sufficient time to enable the company to meet the imposed deadlines;
- c) to be absent from the meeting of the board during the discussion and deliberation phases of matters on which there is a conflict of interest;
- d) provide the relevant corporate structures with all necessary information and documentation, including with reference to its related parties, in order to enable the bank to fully comply with all legal and supervisory provisions.



**ART. 25** - The Board of Directors is appointed for a term of three years. The termination of Directors due to expiry of the term takes effect from the moment the Board of Directors is reconstituted.

The appointment may be revoked by the Shareholders' Meeting even before the expiry of the term, without prejudice to the Directors' right to compensation for damages if the revocation occurs without just cause.

Members of the Board of Directors may resign their office by giving written notice to the Chairman of the Board of Directors, or to the Vice-Chairman, in accordance with the law.

If the majority of the Directors cease to hold office, the remaining Directors, including the Chairman, must immediately convene the Shareholders' Meeting to replace them.

The new appointees will fall from office together with those in office.

If all Directors cease to serve, the Shareholders' Meeting for the appointment of the entire Board of Directors must be urgently convened by the Board of Statutory Auditors.

No person may be elected among the members of the Board of Directors if he/she incurs in a cause of ineligibility or disqualification envisaged by the laws and supervisory provisions in force or if he/she does not meet the requirements of honourableness, professionalism and independence as well as the further criteria established therein.

The Board of Directors meets at the Company's registered office or elsewhere in the territory of the Republic of San Marino whenever the Chairman deems it appropriate and when at least one third of the Directors or the Board of Statutory Auditors so request and, in any case, at intervals not exceeding two months and for no less than 10 meetings per calendar year.

Meetings of the Board of Directors may also be held by means of audio and video teleconferencing, in compliance with the laws in force from time to time.

The notice of the meeting, indicating the time, day and place of the meeting, as well as the items on the agenda, must be sent to the Directors and the members of the Board of Statutory Auditors at least five days prior to the date set for the meeting, except in cases of urgency in which the notice period may be reduced to twenty-four hours; notices may also be sent by telegraph, telefax and e-mail.

Meetings of the board are valid even without convocation, if all the auditors and directors are present and no one objects to the topics discussed.

**ART. 26** - The Board elects a Secretary, even from outside the Board itself, provided that he/she is an employee of the Company or a San Marino Notary Public, and is validly convened with the attendance of the majority of its members.

Resolutions are taken by a majority vote of those present; in the event of a tie, the proposal is considered approved if it has obtained the favorable vote of the President. The minutes of the Council meetings are signed by the Chairman and the Secretary who will be appointed by the Council from time to time.

**ART. 27** – In case of a conflict of interest on the part of members of the Board of Directors or members of the Board of Auditors, any discussion and any deliberation of the Board must take place in the absence of the member concerned.

**ART. 28** - The Board of Directors is vested with the broadest powers for the ordinary and extraordinary administration of the Company, being responsible for everything that by law or by the bylaws is not expressly reserved to the Shareholders' Meeting.

In addition to those powers that cannot be delegated by law, decisions concerning:

- a) the formation of the budget to be submitted to the Shareholders' Meeting and proposals for the distribution of profits;
- b) the establishment, suppression and transfer of branches, branch deliveries and representative offices in the Republic and abroad; the assumption and divestment of tax collection and receipt, cash and treasury services;
- c) the hiring, appointment and dismissal of the General Manager, as Head of the Executive Structure, and the determination of his remuneration and competencies with respect to the granting of credit facilities and the disbursement of credit with the conferment of representation and signatory powers that are not already vested in him under these bylaws all in compliance with the law and supervisory regulations;
- d) the appointment and dismissal of the head of internal auditing;
- e) the verification of the requisites of honorability, professionalism and independence on the part of corporate officers, with the powers and procedures set forth in the Regulations for the Collection of Savings and Banking Activities;
- f) the issuance of bonds, except for those convertible into shares or cum warrants which are reserved for the Shareholders' Meeting.

The Board of Directors is also vested with decision-making powers on matters provided for by legal and supervisory regulations and particularly:

- g) assuming responsibility for corporate strategic decisions
- h) to approve risk management policies, as well as related procedures and detection methods;
- i) defining the organizational architecture, ensuring that tasks and responsibilities, formalized in appropriate internal regulations, are allocated clearly and appropriately and that operational functions are separated from control functions;

- j) determine an articulation of the delegation of decision-making and representation powers consistent with the strategic lines and risk orientation established and verify their operation;
- k) determine the functions to be outsourced, the criteria for selecting the outsourcer, the manner of monitoring the outsourcer's activities, and deliberate on the assignment of the relevant tasks;
- l) ensure that a comprehensive information system is established that can detect the actual business situation in a timely manner;
- m) periodically evaluate the efficiency, effectiveness and functionality of the organizational structure and the system of internal controls, also in relation to the evolution of the activity carried out;
- n) promptly take the necessary measures in the event that deficiencies or anomalies emerge from the set of checks carried out on the system of internal controls;
- o) deliberate on the assumption of a risk position falling under the definition of Great Risk provided by the Supervisory Regulations;
- p) pass resolutions, with the favorable opinion of the auditors and the absence of those concerned, on transactions that determine a new significant position or significantly increase its value, in accordance with the provisions of the current Supervisory Regulations;
- q) approve corporate and group organization, function charts, and internal regulations, including Regulations on Organizational Structure, Internal Audit Activities, Lending Process of financial portfolio management activities;
- r) define the criteria for the evaluation, management and classification of doubtful loans;
- s) diligently perform all further functions for which it is responsible under the current regulations issued by the Supervisory Authority;

The Board of Directors, in compliance with the applicable provisions of the law, supervisory regulations and bylaws, may delegate some of its powers to some of the members of the Board of Directors.

The Board of Directors regulates the distribution of management powers to the executive as well as the powers of representation and the use of the corporate signature.

The Board of Directors may by its resolution delegate powers and the related use of the corporate signature for certain objects, affairs or transactions or categories of acts, with such delimitations as it may deem appropriate, to one or more members of the Board of Directors itself or to employees of the company, both jointly and severally among themselves.

For the performance of certain acts and affairs, the Board of Directors may also grant mandates with relative authority to sign for the Company to third parties, who shall be granted special power of attorney in the manner provided for in Article 28 below.

**ART. 29** - The Chairman, the Vice Chairman the Chief Executive Officer and the Managing Director, also severally among themselves may grant special power of attorney in favor of third parties.

**ART. 30** – The members of the Board of Directors and the Chairman are entitled to annual compensation as determined by the Shareholders' Meeting.

The previous resolution is valid until otherwise decided by the Shareholders' Meeting itself.

#### **TITLE V: THE CHAIRMAN**

**ART. 31** - The Chairman has the legal representation of the Company, convenes and presides over the Shareholders' Meetings, the Board of Directors.

The Chairman has legal representation before all ordinary, administrative and tax jurisdictional bodies and colleges of every order and degree with the power to initiate judicial and administrative actions and produce appeals at every level of civil, criminal and administrative jurisdiction, as well as to resist actions brought against the Company and counter-appeal, appointing lawyers and attorneys at law and granting them the necessary mandates.

**ART. 32** – In the absence or in case of the Chairman's inability to act, the Vice Chairman takes his place, in his absence also the Chief Executive Officer if appointed, as a last resort the Senior Director.

The Senior Director is defined as the one who has participated in the Board of Directors for the longest time, and in the case of equal participation, the one who has the greatest number of years of age. Before third parties, the signature of the person who replaces the Chairman shall be proof of the Chairman's absence.

#### **TITLE VI: THE LEGAL REPRESENTATIVE**

**ART. 33** - Except as provided for in Article 30, the Vice Chairman and the Chief Executive Officer, if appointed, shall be vested with the legal representation of the company severally and independently of the Chairman.

The same shall have the representation of the Company before all Ordinary, Administrative and Tax Jurisdictional Bodies and Boards of all ranks and levels with the power to initiate judicial and administrative actions and produce appeals of all levels of civil, criminal and

administrative jurisdiction as well as to stand on behalf of the Company in actions brought against it and counterclaims, appointing Lawyers, Attorneys at Law, Arbitrators and Experts and granting them the necessary mandates.

#### **TITLE VII: THE CHIEF EXECUTIVE OFFICER**

**ART. 34** – It is within the power of the shareholders' meeting to appoint a CEO chosen from among the members of the Board of Directors.

The Chief Executive Officer is responsible for the smooth running of corporate affairs and the achievement of corporate objectives set from time to time by the Board of Directors.

The Chief Executive Officer is appointed for a term of three years and vacates his or her office when the other Directors vacate.

The office may be revoked by the shareholders' meeting from the Chief Executive Officer even before the expiration of the term subject to the right of the Chief Executive Officer to compensation for damages if the termination occurs without just cause.

The Managing Director may resign from his or her term by giving at least thirty days' notice in writing to the Chairman of the Board of Directors.

The Board of Directors may grant appropriate proxies to the Managing Director pursuant to Article 27 of the Articles of Association.

The office of Managing Director is not incompatible with that of General Manager of the Company.

#### **TITLE VIII: GENERAL MANAGER**

**ART. 35** – The General Manager is the Head of the Executive Structure and is responsible to the Board of Directors, the same Board of Directors appoints the General Manager.

The General Manager is responsible for the smooth running of corporate affairs and the achievement of corporate objectives set from time to time by the Board of Directors.

The Board of Directors may grant appropriate proxies to the General Manager pursuant to Article 27 of the Articles of Association.

#### **TITLE IX: HEAD OF EXECUTIVE STRUCTURE**

**ART. 36** – The Head of the Executive Structure is the General Manager or, in his absence, the Director with delegated authority to carry out his functions.

**ART. 37** – The Head of the Executive Structure must be found to meet the requirements of honorability, professionalism and independence provided for by current legal and supervisory

provisions.

**ART. 38** – The Head of the Executive Structure shall diligently perform the functions for which he/she is responsible under the current supervisory provisions through the execution of the provisions for which he/she is responsible according to the organizational chart and function chart in effect from time to time and authorized by the Board of Directors.

**ART. 39** – The Head of the Executive Structure also has the following obligations:

- a) to give immediate notice to the Board of Directors in the event of the loss of one or more requirements of honorability or independence
- b) submit the certifications and/or self-certifications for legal and supervisory purposes in a suitable timeframe to enable the company to comply with the imposed deadlines;
- c) absent themselves from the meeting of the board during the discussion and deliberation phases of matters on which there is a conflict of interest;
- d) provide the relevant corporate structures with all necessary information and documentation, including with reference to its related parties, in order to enable the Bank fully comply with all legal and supervisory provisions.

#### **TITLE X: BOARD OF STATUTORY AUDITORS**

**ART. 40** - The Board of Statutory Auditors is the Company's supervisory body and is composed of three members, one of whom serves as Chairman, appointed by the Shareholders' Meeting and possessing the requirements of honorability, professionalism and independence provided for by current legal and supervisory provisions.

The Statutory Auditors attend the Shareholders' Meetings and the meetings of the Board of Directors.

In addition to their annual emoluments, Auditors are entitled to reimbursement of expenses incurred in the performance of their duties.

**ART. 41** - The Board of Statutory Auditors has the duties and powers prescribed by law and supervisory regulations.

In particular, the Board of Statutory Auditors, in addition to supervising compliance with the law, the bylaws, supervisory regulations and the principles of proper administration by the corporate bodies, must:

- a) fulfill its institutional supervisory responsibilities while respecting the powers of the other bodies;
- b) help ensure the regularity and legitimacy of management, without limiting itself to merely formal aspects, preserving, in particular, the autonomy of the banking enterprise;

- c) to verify the overall smooth operation of each main organizational area, with the power to make use of all units of the corporate structures that perform control functions, first and foremost internal auditing;
- d) assessing the system of internal control's degree of effectiveness, with particular regard to risk controls, the operation of internal auditing and the information-accounting system;
- e) Maintain coordination with the auditing firm, internal auditing and other structures that perform internal control functions, in order to raise the degree of knowledge about the regularity of corporate management, also making use of the findings of the investigations carried out by these operating units;
- f) to verify that the Bank's contractual relationships with related parties and entities related to them are properly managed and, in particular, regulated at arm's length, in accordance with current legal and supervisory provisions;
- g) inform the Supervisory Authority without delay of all acts or facts, of which they become aware in the performance of their duties, which constitute, to a significant extent, irregularities in management, violation of the principles of sound and prudent management or violation of the laws, bylaws or supervisory regulations governing banking activities;
- h) diligently perform all further functions for which it is responsible pursuant to the current provisions issued by the Supervisory Authority.

The Board of Statutory Auditors must meet at least quarterly.

Minutes must be taken of the meetings of the Board of Statutory Auditors, which must be transcribed in the Board of Statutory Auditors' book and must be signed by all those present.

The Board of Statutory Auditors is duly constituted with a majority of its members and passes resolutions with the affirmative vote of at least two auditors.

The dissenting Statutory Auditor has the right to have the reason for his dissent recorded in the minutes.

**ART. 42** - The office of Statutory Auditor is conferred for a period of three fiscal years. The Auditors' terms of office expire on the date of the assembly for the approval of the Financial Statements related to the 3rd financial year of the office.

The termination of Statutory Auditors due to expiration of office, renunciation of office, disqualification, shall take effect at the time they are replaced.

The office of Statutory Auditor is renewable, is freely renounceable, but is revocable only for just cause.

The resolution of revocation must be approved by decree of the Single Court after hearing the person concerned.

A Statutory Auditor who, without just cause, fails to attend a meeting or two meetings of the Board of Statutory Auditors or the Board of Directors during a financial year shall forfeit his or her office.

**ART. 43** – The majority of the members of the Board of Auditors must have their actual residence in the Republic.

In the event of death or resignation or forfeiture of one or more auditors, a shareholders' meeting must be convened immediately to provide for their replacement.

The newly appointed auditors shall vacate office together with those in office.

**ART. 44** – Auditors must fulfill their duties with the professionalism and diligence required by the nature of their office, are responsible for the truth of their attestations and must keep the facts and documents of which they have knowledge by reason of their office secret.

Auditors are liable to the company, shareholders and third parties, jointly and severally with the directors, for the latter's acts or omissions when the damage would not have occurred if they had supervised in accordance with the obligations inherent in their office.

Corporate liability action shall be brought by resolution of the shareholders' meeting.

Any shareholder may report the facts that he or she considers censurable to the Board of Statutory Auditors; the latter, if the complaint is made by as many shareholders as 1/5 of the share capital, shall investigate without delay the facts reported and present its conclusions and possible proposals to the shareholders' meeting, convening it immediately if the complaint appears well-founded and, if there is a requirement, propose the complaint to the Commissioner of the Law in accordance with the Companies Law.

Those who are in the conditions prohibited by current legal and supervisory provisions may not be elected to the office of auditors and, if elected, shall forfeit their office.

Members of the board of auditors also have the following obligations

- a) to give immediate notice to the Board of Directors in the event of loss of one or more requirements of honorability or independence
- b) to submit the certifications and/or self-certifications that are mandatory for legal and supervisory purposes in sufficient time to enable the company comply with the imposed deadlines;
- c) absent themselves from the meeting of the board during the discussion and deliberation phases of matters on which there is a conflict of interest;
- d) provide the relevant corporate structures with any necessary information and documentation, also with reference to its related parties, in order to enable the Bank to fully comply with all legal and supervisory provisions.



## **TITLE XI: FINANCIAL STATEMENTS, PROFITS AND CERTIFICATION OF FINANCIAL STATEMENTS**

**ART. 45** - The financial statements shall be closed on December 31 of each year.

In accordance with the terms and in accordance with the law, a financial statement shall be compiled on the basis of the inventory of social assets. The Financial Statements shall be subject to certification by the Auditing Company referred to in Article 47 of the bylaws.

The financial statements must be approved by the shareholders' meeting.

The financial statements shall be drawn up in accordance with current legal and supervisory regulations and shall consist of the following documents:

- a) the Statement of Assets and Liabilities
- b) the profit and loss account
- c) the explanatory notes to the financial statements.

The financial statements must also be accompanied by the reports of the Board of Directors, the Board of Auditors and the auditing firm.

**ART. 46** - The net profits emerging from the financial statements approved by the Assembly shall be allocated as follows:

- 20% to the ordinary reserve fund;
- the remaining 80% at the disposal of the shareholders' meeting for dividends and any other allocations that the shareholders' meeting may wish to resolve such as allocation to the extraordinary reserve fund. The extraordinary reserve fund differs from the ordinary reserve fund in that while the ordinary fund is tied to the company's shareholders' equity, thus usable exclusively for share capital increases and/or coverage of any losses, the extraordinary fund can also have other destinations and even be subsequently redistributed to shareholders to supplement dividends.

Dividend payments to the company's capital stock will be made at the coffers designated by the Board of Directors within the term to be established annually by the Board.

**ART. 47** - The financial statements shall be compiled by the Board of Directors in accordance with legal and supervisory requirements, and communicated to the Board of Statutory Auditors at least thirty days prior to the Shareholders' Meeting that is to discuss them.

The financial statements, together with the reports of the Directors and the independent auditors, shall remain on file in copy at the registered office of the Company or shall be forwarded or delivered to the shareholders at least twenty clear days before the Shareholders' Meeting convened to approve the financial statements. Shareholders may inspect it and are

entitled to have a copy from the Directors. Within 30 days of approval, a copy of the financial statements accompanied by the report of the Board of Directors and the Board of Statutory Auditors, the minutes of the approval of the Shareholders' Meeting, and the Certification referred to in Article 44 above shall be filed with the Economic Activities Office by the Board of Directors of the Company.

**ART. 48-** The auditing of the Company and the certification of the Financial Statements shall be entrusted to an Auditing Firm registered in the special register established at the Secretary of State for Industry, except as permitted by the LISF for auditing engagements conferred by authorized parties.

The Auditing Firm and the auditors it appoints must also:

- a) to maintain coordination with the Board of Statutory Auditors, internal auditing and other structures that perform internal control functions in order to raise the level of knowledge about the regularity of the company's accounts, also making use of the findings of the investigations carried out by these operating units, within the limits of what is useful for the purposes of the accounting control function and/or the certification of financial statements;
- b) inform the Supervisory Authority without delay of all acts or facts of which they become aware in the performance of their duties, which may constitute a significant violation with regard to the proper keeping of the company's accounts and/or the proper recognition in the accounting records of management events, or impair the continuity of the business, or result in an adverse opinion or a declaration of inability to express an opinion on the financial statements.

The Auditing Firm and the Auditors appointed by it must also diligently perform all further functions for which they are responsible under current regulations issued by the Supervisory Authority.

The appointed Auditing Firm may ask the directors for documents and information useful for the control and may proceed to inspections; it must document the activity carried out in the special book kept at the company's registered office.

**ART. 49 -** The term of the appointment is 3 financial years with expiration of the appointment on the date of the shareholders' meeting called to approve the financial statements of the third year from the appointment. The appointment may be renewed up to a maximum of two times; it may be reappointed to the same Company after three financial years in which the audit is to be entrusted to another auditing firm.

The Auditing Firm shall cease to hold office when its directors and auditors incur the causes of ineligibility and disqualification provided for by current legal and supervisory provisions.

Resolutions appointing auditing firms are not effective prior to registration in the Company Register.

#### **TITLE XII: DISSOLUTION**

**ART. 50** - Upon the dissolution of the Company at any time and for any cause, the Shareholders' Meeting shall determine the manner of liquidation and appoint one or more liquidators, fixing their powers and compensation.

#### **TITLE XIII: SHAREHOLDERS**

**ART. 51** – A shareholder who intends to hold an interest in the share capital of the Bank must meet the requirements of the law and supervisory regulations and prove such requirements in accordance with said regulations.

**ART. 52** - Shareholders undertake to comply with the obligations referable to them as a result of the current legal and supervisory provisions on the ownership structure of banks, also with reference to the constraints placed on the free circulation of shares, the suspension of voting rights and the obligation to dispose of shareholdings.

Shareholders also undertake to provide the relevant corporate bodies with all necessary information and documentation, including with reference to their related parties, their corporate officers and their controlling entities and beneficial owners, in order to enable the company to fully comply with all legal and supervisory provisions.

Shareholders take note that, as a result of the banking secrecy set forth in the LISF, their right to information is limited to the communications submitted to them for the purpose of approving the financial statements, annual and interim, and that their power to direct the company's management is explicable only through the appointment and removal, at the shareholders' meeting, of corporate officers.

#### **TITLE XIV: CLOSING AND CONNECTING RULES**

**ART. 53** – Corporate officers, as identified in the law and supervisory regulations, must have the requirements of honorability, professionalism and independence established by said regulations.

**ART. 54** – For all matters not regulated by the provisions of these Bylaws, reference is made to the current legal and supervisory provisions on banking activities and in particular to Law No. 165 dated 17/11/2005 and subsequent and possible amendments, to Regulation No.

2007- 07 and other implementing provisions issued by the Central Bank of the Republic of San Marino as well as, as a supplementary measure, to Law No. 47 dated 23/02/2006, and their subsequent amendments and supplements thereof.

Where reference is made in these bylaws to the Companies Law it shall mean Law No. 47 dated 23/2/2006 and any subsequent amendments thereof and where reference is made to the LISF it shall mean Law No. 165 dated 17/11/2005 and any subsequent amendments thereof.