

**BANCA  CENTRALE**  
DELLA REPUBBLICA DI SAN MARINO

# *Annual Report*

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## *2018*





# **Annual Report 2018**



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**CENTRAL BANK OF THE REPUBLIC OF SAN MARINO**  
A Publicly and privately owned entity  
Economic Operator Code SM04262 - Endowment fund 12,911,425.00 Euro fully paid up

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# Governing Bodies of the Central Bank of the Republic of San Marino

Governing Council	
Catia Tomasetti <sup>1</sup>	Chairman
Francesco Mancini	Member
Martina Mazza	Member
Giacomo Volpinari <sup>2</sup>	Member
Gian Luca Amici <sup>3</sup>	Member
Antonella Mularoni <sup>4</sup>	Member

Board of Statutory Auditors	
Pier Angela Gasperoni <sup>5</sup>	Chairman
Luca Marcucci	Statutory Auditor
Valentina Di Francesco <sup>6</sup>	Statutory Auditor

Directorate General	
Giuseppe Ucci <sup>7</sup>	Acting Deputy Director
Daniele Bernardi	Deputy Director

Supervision Committee	
Giuseppe Ucci	Chairman
Milena Guidi <sup>8</sup>	Internal Inspector
Giuseppe Buoncompagni <sup>9</sup>	Internal Inspector
Fabio Mazza <sup>10</sup>	Internal Inspector
Marco Giulianelli <sup>11</sup>	Internal Inspector

Data as at 31 December 2018

<sup>1</sup> Office held since 09/05/2018

<sup>2</sup> Office held since 01/08/2018

<sup>3</sup> Office held since 14/11/2018

<sup>4</sup> Office held since 14/11/2018

<sup>5</sup> Office held since 14/05/2018

<sup>6</sup> Office held since 30/05/2018

<sup>7</sup> Office held since 03/10/2018

<sup>8</sup> Office held since 04/10/2018

<sup>9</sup> Office held since 04/10/2018

<sup>10</sup> Office held since 04/10/2018

<sup>11</sup> Office held since 04/10/2018



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## Governing Council Report on 2018 Management





## Dear Shareholders,

Below are the financial highlights and main economic-equity indicators for the financial year 2018.

	2018	2017	Change	
			Absolute	%
<b>Balance Sheet Totals</b>	<b>399,351,439</b>	<b>408,455,362</b>	<b>-9,103,923</b>	<b>-2.23%</b>
Loans to credit institutions	111,578,668	156,850,550	-45,271,882	-28.86%
Loans to customers	97,753,395	73,353,138	24,400,257	33.26%
Bonds and other debt financial instruments	161,299,796	143,276,961	18,022,835	12.58%
Shares, quotas and other capital financial instruments	5,160	4,665	495	10.61%
Shareholdings	0	0	0	0%
Debts with credit institutions	218,747,963	185,367,376	33,380,587	18.01%
Debts with customers	112,703,176	140,134,049	-27,430,873	-19.57%
Debts represented by financial instruments	0	0	0	0%
Net equity <sup>1</sup>	60,798,852	73,022,424	-12,223,572	-16.74%
Interest margin	1,481,365	1,677,564	-196,199	-11.70%
Profits and losses from financial operations	-4,026,194	1,875,419	-5,901,613	-314.68%
Mediation margin	2,006,710	9,944,806	-7,938,096	-79.82%
Gross operating margin	-10,470,702	-2,179,493	-8,291,209	-380.42%
Net result	-12,223,572	-2,616,212	-9,607,360	-367.22%
Change in the general financial risk fund	12,223,572	2,616,212	9,607,360	367.22%
Operating results	0	0	0	0%

<sup>1</sup>: It includes the endowment fund, reserves, the fund for general banking risks and the economic result for the financial year.

The up-to-date figures reflected in the table and referring to the years ended 31/12/2018 and 31/12/2017 show, first of all, that balance sheet totals dropped by 9.1 million Euro in the last financial year, from 408.46 million Euro to 399.35 million Euro.

With reference to the main balance-sheet assets, it should be noted that funding and loans did not undergo major changes.

Funding from banks and customers as at 31/12/2018 stood at 331.45 million Euro (325.50 million Euro as at 31/12/2017). More specifically, while funding from banks increased by 33.38 million Euro (18.01%), funding from customers decreased by 27.43 million Euro (-19.57%), mainly due to a decrease in term debts (-54.45 million Euro; -88.18%).

The latter dropped by a significant amount, considering that as at 31/12/2017 they reflected — in the form of term deposits with a debit balance — amounts pertaining to FONDISS (supplementary welfare fund of the Republic of San Marino). As at 31/12/2018, such deposits were held at other banks of San Marino.

Loans to banks, loans to customers and investments held in the securities portfolio as at 31/12/2018 stood at 370.64 million Euro (373.49 million Euro as at 31/12/2017). The decrease in loans to credit institutions (-45.27 million Euro; -28.86%) was largely offset by greater loans to customers (to the extent of 24.40 million Euro; 33.26%) and greater assets invested in the securities portfolio (to the extent of 18.02 million Euro; 12.58%).



More specifically, as at 31/12/2018, term loans to credit institutions decreased (-23.76 million Euro; -59.37%), while term loans to customers increased (24.45 million Euro; 33.42%).

The decrease was due to a drop in the amount of financing to banks, while the increase resulted from the combined effect of the planned repayment of outstanding amounts due, the extension of loan maturity and the provision of new loans to the Most Excellent Chamber, as illustrated in the relevant section of the Notes to the financial statements.

As illustrated in the relevant section of the Notes to the financial statements, the securities portfolio is broken down into investment portfolio, totalling 40.75 million Euro, and trading portfolio, totalling 120.55 million Euro.

The Central Bank does not hold any shareholdings and thus no relations with subsidiaries were accounted for. As regards, on the other hand, relations with the shareholders of the Bank, such relations are part of the normal statutory functions of the Bank itself.

With regard to the other assets, attention is drawn to the drop in intangible fixed assets (-0.42 million Euro; -61.36%) resulting from the residual book value of the (previously capitalised) cost relating to the corporate reorganisation project being reflected fully in the profit and loss account, as per resolution of the Governing Council. For more details, reference should be made to the relevant sections of the Notes to the financial statements.

As shown in the statement of the reclassified profit and loss account, the above decrease also affected the trend of operating costs as compared to financial year 2017, such costs increasing by 0.35 million Euro (2.91%). In this connection, it should be noted that the increase in value adjustments on tangible and intangible fixed assets in 2018, totalling 0.21 million Euro (37.5%), exceeded the increase in administrative costs, totalling 0.14 million Euro (1.21%).

As at 31/12/2018, net equity — consisting of the (i) endowment fund subscribed by the Most Excellent Chamber and by banks as detailed in the relevant section of the Notes to the financial statements, (ii) reserves, (iii) general financial risk fund and (iv) operating margin — showed a decrease (-12.22 million Euro) due to the use of the general financial risk fund.

In this regard, as was the case in the previous year, in order to cover the operating deficit and to stabilise the operating margin, the Governing Council of the Bank resolved to reduce this fund again in 2018 — such fund operating as capital reserve available to the management body — and to close the financial year with a break-even result.

On the other hand, a review of the income indicators arising from the statement of the reclassified profit and loss account shows, first of all, that even though the mediation margin stood at 2 million Euro, it decreased significantly compared to the figure posted in 2017, i.e. 9.94 million Euro.

This result was driven by a reduction across all of its components, including interest margin, revenues from services and profits/losses from financial operations.

With regard to interest margin, it should be noted that the increase in interest received (0.33 million Euro; 14.28%), attributable to loans to banks and customers, was lower than the increase in interest paid (-0.52 million Euro; -84.92%), which was also affected by the exchange rate margins on forward hedging transactions carried out during the year.

Revenues from services decreased by 1.84 million Euro (-28.79%) due, to a large extent, to lower commissions received in relation to the remuneration of services provided to the Broader Public Administration. As explained in more detail in the Notes to the financial statements, an agreement was entered into on 6 February 2019 between the State Congress and the Central Bank in respect of the aforementioned remuneration, covering financial years 2016-2017-2018. The 20% reduction in remuneration, made in each year, was fully recovered in 2018, thereby resulting in a considerable decline in terms of commissions earned.

Net result from financial operations, standing at -4.03 million Euro (1.88 million Euro in 2017), was down -5.9 million Euro as compared to the previous financial year. In detail, securities management resulted in a -4.17 million Euro (619 Euro as at 31/12/2017) balance between capital gains and capital losses from valuation as at 31/12/2018 as well as a 0.15 million Euro profit on securities trading, which turned out to be lower than the one posted as at 31/12/2017 (i.e. -2.08 million Euro). Moreover, a -6,143 Euro loss for foreign currency valuation/trading was shown as at 31/12/2018 (loss as at 31/12/2017 stood at -0.36 million Euro).

In 2018, the world economies and financial markets were affected by major events and trends that had an impact on all major countries.

The “trade war” that affected relations between the United States and all the main trading partners, with special reference to China. The duties imposed by the Trump administration on exports of Chinese products and similar measures applied by China had a strong impact on the markets and on the volatility of the prices of financial instruments.

Brexit, which continued to cause market uncertainty throughout 2018 due to the possible consequences of a no-deal UK’s EU exit, i.e. an exit without a withdrawal agreement with the European authorities governing, on new terms, relations between member countries and the United Kingdom.

The general election in Italy and the establishment of the government consisting of Movimento 5 Stelle and Lega, coupled with the ensuing tension with the European authorities regarding fiscal measures contemplated by the newly-formed government, caused volatility and turbulence across the markets, taking a heavier toll on the value of Italian assets. Draft laws submitted by the new government regarding pensions and income-support policies designed for the weakest segments of the population raised eyebrows in a number of European partners, as they were concerned about non-compliance with budgetary constraints and failure to abide by the parameters adopted by mutual consent.

However, the global economy managed to keep good growth momentum and, according to the IMF, stood at 3.6% compared to 3.8% in 2017, although the issues already surfaced in 2018 lingered on, albeit partly, and might impact economic growth in 2019.

During the course of 2018, the world's major equity markets performed poorly, with the Dow Jones falling 5.6%, the Nikkei down 12%, the Eurostoxx 50 losing more than 14%, the German Dax down 18%, the Italian FtseMib falling 16% and the Hong Kong Stock Exchange Index (Hang Seng) down 14%.

At the same time, the trend in credit spreads also widened significantly, even more markedly in the last quarter of 2018. As an indication, the generic Itrax index — which tracks the trend in the creditworthiness of the main European issuers of five-year maturity bonds — deteriorated by 97% during the year, from 45 at the beginning of the year to over 87 at the end of the year.

The Euribor rates, across all maturities, remained negative throughout 2018, in line with the expansionary monetary policy of the ECB, which kept the rate on deposit facilities at -0.40%, although it gradually reduced quantitative easing measures, reducing the purchase of bonds to zero at the end of the year, but continuing, for the future, to reinvest the proceeds of securities reaching maturity.

With regard to the yields on government bonds in the Euro Zone, the Bund — after an increase in yield at the beginning of the year that caused the interest rate to rise to around 0.80%, compared to 0.45% at the beginning of January — remained in a relatively stable range during the central months of 2018, eventually ending the year with yields falling as low as 0.25% at the end of 2018, in response to the negative phase on the stock and credit markets.



The yield on the Italian ten-year long-term treasury bonds (BTP) dropped from 2% at the beginning of 2018 to 1.72% in April, just before the general election. In mid-year and until the autumn season, political uncertainties caused the spread against the German bond to widen, causing the yield to rise again to around 3.70%. In the last two months of the year, in line with the reduction in the yields on government bonds in the other major countries, the 10-year BTP rate also returned to 2.70%.

The US 10-year Treasury Note showed an upward trend for most of 2018, reaching a yield in the region of 3.25% based on expectations of a change in the Federal Reserve's monetary policy that would pave the way for a series of interest rate hikes driven by the good performance of the economy, a labour market entering a phase of full employment and the return of moderate inflation. The last part of the year, amid fears of a slowdown in economy, saw yields fall again to levels of around 2.68%, not far from the 2.40% reached at the beginning of the year.

Focusing again on balance sheet figures, mediation margin proved inadequate to support operating costs (administrative costs and value adjustments on intangible and tangible fixed assets), totalling 12.48 million Euro, which costs, however, did not change significantly compared to 2017 (+0.35 million Euro; 2.91%).

With reference to the items that contributed to the net operating result, emphasis is placed on the 1.54 million Euro value adjustment on financial fixed assets in relation to the write-down, as further illustrated in the Notes to the financial statements, of a long-term investment to an extent matching the amount of the loss incurred in 2019 following early disposal. Provisions for risks and costs, adjustments and value recoveries on credits were in line with the previous period.

The balance of extraordinary operations stood at 0.14 million Euro, while net result amounted to -12.22 million Euro.

As described above, the Governing Council resolved to use the general financial risk fund. The financial year thus ended with a break-even result.

Finally, with regard to "Guarantees and Commitments", the latter increased significantly due to the absence of forward hedging transactions — which were instead reflected in the financial year ended 31/12/2017 — and lower margins available on credit lines granted (7.76 million Euro as compared to 45 million Euro in 2017).

To gain further insights into operating performance, in addition to the view provided with respect to the state of affairs and the profit or loss for the period, reference should be made to the Annual Report of the Central Bank to the Great and General Council.

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## Post balance-sheet events

Below is a review of post balance-sheet events:

1. Early sale, with value date 20/03/2019, of the "Demeter 9.52 05/29/2023" structured bond held in the bank's long-term investment portfolio (nominal value USD 20,000,000). This sale was resolved by the Governing Council on 18/03/2019 following an exceptional and non recurrent event resulting from the proposed repurchase of own bonds by an issuer underlying the structured note. The transaction made it possible to dispose of the bond earlier than scheduled at a price significantly higher than the price provided up to that date by the lead manager. The sale resulted in:
  - a. A decrease in the bank's assets invested in long-term investments and a consequent increase in liquid assets available, including for investments that can be liquidated over a shorter time horizon;

- b. A bottom line loss of 1,536,747 Euro, due to part of the trading discount being reflected in the profit and loss account in a single tranche, rather than pro-rata until the maturity of the note. As explained in the relevant section of the Notes to the financial statements, as at 31/12/2018 the aforesaid security was written down by the same amount;
  - c. An improvement of the asset allocation of CBSM's own portfolio;
- 2. The continuation of administrative proceedings concerning Asset Banca S.p.A..  
 With regard to the measures issued by the Supervisory Authority against Asset Banca SpA, i.e. extraordinary administration and subsequently administrative compulsory winding-up, administrative appeals were filed.  
 In December 2018, the Law Commissioner, acting as assignee of the case file, issued the decisions relating to administrative appeals No. 37/2017 and 57/2017 concerning the measures of extraordinary administration and administrative compulsory winding-up of Asset Banca SpA, respectively. The decisions declared the measures to be unlawful, without however ordering the annulment thereof.  
 The Central Bank appealed against the first instance decisions. On 11 March 2019, the Law Commissioners acting as assignees of the case file rejected the applications for stay of the provisional enforceability of the appealed decisions and ordered a substantive hearing of the cases to be held. A hearing for both appeals is currently being scheduled;
- 3. Execution of the Agreement between the State Congress and the Central Bank of the Republic of San Marino for the remuneration of the services provided to the Public Administration during the 2016-2017-2018 three-year period. The impact that such Agreement had on the balance sheet and P&L account are illustrated in the relevant sections of the Notes to the financial statements;
- 4. The Supervision Committee of this Central Bank ordering — on 21/01/2019 and pursuant to Article 78 of Law No. 165/2005, as amended from time to time — the start of extraordinary administration proceedings for Banca Cis - Credito Industriale Sammarinese S.p.A.;
- 5. The Governing Council approving — on 5 March 2019 and in pursuance of provisions under Article 52 of Law No. 173 dated 24/12/2018 — an “operating cost rationalisation project for 2019” by:
  - Adopting a budget contemplating a 20% reduction in administrative costs compared to the previous year;
  - Reducing labour costs as a result of a three-year corporate agreement entered into with employees on 18 April 2019, such agreement having an impact on some important aspects of collective labour agreements currently in force .



**Dear Shareholders,**

Following the approval of the financial statements, the net equity of the Central Bank will consist of the following items:

	<b>Euro</b>
Endowment Fund	12,911,425
Ordinary Reserve Fund	1,274,013
Statutory Reserve Fund	9,627,277
General Financial Risk Fund	36,986,137
Other Equity Reserves	0
<b>Total Net Equity</b>	<b>60,798,852</b>

**Dear Shareholders,**

The Governing Council's report on operations for financial year 2018 was read out to you.

On behalf of the Governing Council — following the reading of the Board of Statutory Auditors' Report — you are requested to approve the financial statements as a whole, which have been submitted for approval pursuant to the laws currently in force.

Heartfelt thanks are extended to the Directorate General and all the staff members for the hard work they did for the Bank, as well as to the Board of Statutory Auditors for its support and for attending Governing Council meetings.

Finally, appreciation is expressed to the Shareholders, the Authorities of the Republic of San Marino and the Public Administration for the support provided.

San Marino, 8th May 2019



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# 2018 Annual Report









## Balance Sheet Assets

Assets items		2018		2017	
<b>10. CASH BALANCE AND AVAILABLE AT CENTRAL AND POST OFFICES</b>	<b>FUNDS BANKS</b>		<b>12,457,784</b>		<b>14,141,543</b>
<b>20. TREASURY BONDS AND FINANCIAL INSTRUMENTS, FOR REFINANCING AT CENTRAL BANKS</b>	<b>SIMILAR ELIGIBLE</b>		<b>0</b>		<b>0</b>
a) Treasury bonds and similar financial instruments		0		0	
b) other financial instruments eligible for refinancing at central banks		0		0	
<b>30. LOANS TO CREDIT INSTITUTIONS</b>			<b>111,578,668</b>		<b>156,850,550</b>
a) on demand		95,319,092		116,833,896	
b) other credits		16,259,576		40,016,654	
<b>40. LOANS TO CUSTOMERS</b>			<b>97,753,395</b>		<b>73,353,138</b>
a) on demand		156,265		201,227	
b) other credits		97,597,130		73,151,911	
<b>50. BONDS AND OTHER FINANCIAL INSTRUMENTS</b>	<b>DEBT</b>		<b>161,299,796</b>		<b>143,276,961</b>
a) issued by public institutions		12,128,383		11,622,694	
b) issued by credit institutions		68,836,122		39,181,734	
c) issued by financial companies other than credit institutions		71,327,110		78,554,770	
d) issued by other institutions		9,008,181		13,917,763	
<b>60. SHARES, QUOTAS AND OTHER CAPITAL FINANCIAL INSTRUMENTS</b>			<b>5,160</b>		<b>4,665</b>
<b>70. SHAREHOLDINGS</b>			<b>0</b>		<b>0</b>
a) financial companies		0		0	
b) non-financial undertakings		0		0	
<b>80. SHAREHOLDINGS IN COMPANIES</b>	<b>GROUP</b>		<b>0</b>		<b>0</b>
a) financial companies		0		0	
b) non-financial undertakings		0		0	
<b>90. INTANGIBLE FIXED ASSETS</b>			<b>291,391</b>		<b>754,168</b>
a) financial leasing		0		0	
- of which assets under construction		0		0	
b) assets pending financial leasing for termination of leasing agreement		0		0	
- of which for breach of the lessee		0		0	





Assets items	2018		2017	
c) assets available resulting from debt collection	0		0	
- of which assets available for repayment of loan through a settlement agreement	0		0	
d) goodwill	0		0	
e) start-up expenses	0		0	
f) other intangible fixed assets	291,391		754,168	
<b>100. TANGIBLE FIXED ASSETS</b>		<b>3,539,252</b>		<b>3,716,784</b>
a) financial leasing	0		0	
- of which assets under construction	0		0	
b) assets pending financial leasing for termination of leasing agreement	0		0	
- of which for breach of the lessee	0		0	
c) assets available resulting from debt collection	0		0	
- of which assets available for repayment of loan through a settlement agreement	0		0	
d) lands and buildings	3,406,522		3,595,668	
e) other tangible fixed assets	132,730		121,116	
<b>110. SUBSCRIBED CAPITAL NOT PAID IN</b>		<b>0</b>		<b>0</b>
- of which called-up capital	0		0	
<b>120. OWN SHARES OR QUOTAS</b>		<b>0</b>		<b>0</b>
<b>130. OTHER ASSETS</b>		<b>12,371,905</b>		<b>16,301,091</b>
<b>140. ACCRUED REVENUES AND DEFERRED EXPENSES</b>		<b>54,088</b>		<b>56,462</b>
a) accrued revenues	0		0	
b) deferred expenses	54,088		56,462	
<b>150. TOTAL ASSETS</b>	<b>399,351,439</b>		<b>408,455,362</b>	



## Balance Sheet Liabilities

Liabilities items	2018		2017	
<b>10. DEBTS WITH CREDIT INSTITUTIONS</b>		<b>218,747,963</b>		<b>185,367,376</b>
a) on demand	118,102,615		83,559,790	
b) term or notice debts	100,645,348		101,807,586	
<b>20. DEBTS WITH CUSTOMERS</b>		<b>112,703,176</b>		<b>140,134,049</b>
a) on demand	105,405,872		78,391,689	
b) term or notice debts	7,297,304		61,742,360	
<b>30. DEBTS REPRESENTED BY FINANCIAL INSTRUMENTS</b>		<b>0</b>		<b>0</b>
a) bonds	0		0	
b) certificates of deposit	0		0	
c) other financial instruments	0		0	
<b>40. OTHER LIABILITIES</b>		<b>5,968,099</b>		<b>8,679,931</b>
- of which cheques outstanding and kindred papers	429,533		419,100	
<b>50. ACCRUED EXPENSES AND DEFERRED REVENUES</b>		<b>108,267</b>		<b>234,041</b>
a) accrued expenses	0		187,610	
b) deferred revenues	108,267		46,431	
<b>60. STAFF RETIREMENT ALLOWANCES</b>		<b>522,748</b>		<b>524,541</b>
<b>70. RISK AND COST FUNDS</b>		<b>502,334</b>		<b>493,000</b>
a) retirement funds and similar provisions	0		0	
b) tax fund	0		0	
c) other funds	502,334		493,000	
<b>80. FUND FOR CREDIT RISKS</b>		<b>0</b>		<b>0</b>
<b>90. GENERAL FINANCIAL RISK FUND</b>		<b>36,986,137</b>		<b>49,209,709</b>
<b>100. SUBORDINATED LIABILITIES</b>		<b>0</b>		<b>0</b>
<b>110. SUBSCRIBED CAPITAL</b>		<b>12,911,425</b>		<b>12,911,425</b>
<b>120. SHARE PREMIUM</b>		<b>0</b>		<b>0</b>
<b>130. RESERVES</b>		<b>10,901,290</b>		<b>10,901,290</b>
a) ordinary or legal reserve	1,274,013		1,274,013	
b) reserve for own shares or quotas	0		0	
c) statutory reserves	9,627,277		9,627,277	
d) other reserves	0		0	
<b>140. REVALUATION RESERVE</b>		<b>0</b>		<b>0</b>





Liabilities items	2018		2017	
<b>150. PROFITS (LOSSES) CARRIED FORWARD</b>		<b>0</b>		<b>0</b>
<b>160. OPERATING PROFIT (LOSS)</b>		<b>0</b>		<b>0</b>
<b>170. TOTAL LIABILITIES</b>		<b>399,351,439</b>		<b>408,455,362</b>



## Guarantees and commitments

Items	2018	2017
<b>10. GUARANTEES ISSUED</b>	<b>1,854,748</b>	<b>2,080,658</b>
- of which:		
a) acceptances	0	0
b) other guarantees	1,854,748	2,080,658
<b>20. COMMITMENTS</b>	<b>7,755,000</b>	<b>65,111,729</b>
- of which:		
a) for certain use	0	20,111,729
- <i>of which</i> : financial instruments	0	0
b) for uncertain use	7,755,000	45,000,000
- <i>of which</i> : financial instruments	0	0
c) other commitments	0	0
<b>TOTAL</b>	<b>9,609,748</b>	<b>67,192,387</b>





## Profit and loss account

Items of the Profit and loss account	2018	2017
<b>10. INTEREST RECEIVED AND OTHER PROCEEDS</b>	<b>2,621,817</b>	<b>2,294,294</b>
a) on loans to credit institutions	208,859	-101,404
b) on loans to customers	631,371	216,222
c) on debt securities	1,781,587	2,179,476
<b>20. INTEREST PAID AND OTHER COSTS</b>	<b>-1,140,452</b>	<b>-616,730</b>
a) on debts with credit institutions	-620,700	-277,591
b) on debts with customers	-519,752	-339,139
c) on debts represented by securities	0	0
- of which on subordinated liabilities	0	0
<b>30. DIVIDENDS AND OTHER PROCEEDS</b>	<b>0</b>	<b>0</b>
a) on shares, quotas and other capital securities	0	0
b) on shareholdings	0	0
c) on shareholdings in undertakings of the group	0	0
<b>40. COMMISSIONS EARNED</b>	<b>1,160,009</b>	<b>2,807,831</b>
<b>50. COMMISSIONS PAID</b>	<b>-117,510</b>	<b>-125,238</b>
<b>60. PROFITS (LOSSES) FROM FINANCIAL OPERATIONS</b>	<b>-4,026,194</b>	<b>1,875,419</b>
<b>70. OTHER OPERATING PROCEEDS</b>	<b>3,689,474</b>	<b>3,869,468</b>
<b>80. OTHER OPERATING COSTS</b>	<b>-180,434</b>	<b>-160,238</b>
<b>90. ADMINISTRATIVE COSTS</b>	<b>-11,695,076</b>	<b>-11,555,314</b>
a) labour costs	-7,199,203	-7,119,194
of which:		
- wages and salaries	-4,992,013	-5,056,851
- pension contributions	-1,319,864	-1,290,090
- staff retirement allowances	-506,024	-521,977
- severance and indemnity-related costs	0	0
- directors and statutory auditors	-269,601	-236,788
- other labour costs	-111,701	-13,488
b) other administrative costs	-4,495,873	-4,436,120
<b>100. VALUE ADJUSTMENTS ON INTANGIBLE FIXED ASSETS</b>	<b>-537,780</b>	<b>-332,219</b>
<b>110. VALUE ADJUSTMENTS ON TANGIBLE FIXED ASSETS</b>	<b>-244,556</b>	<b>-236,766</b>
<b>120. PROVISIONS FOR RISKS AND COSTS</b>	<b>-312,334</b>	<b>-393,000</b>
<b>130. PROVISIONS TO THE CREDIT RISK FUNDS</b>	<b>0</b>	<b>0</b>
<b>140. VALUE ADJUSTMENTS ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS</b>	<b>-47,488</b>	<b>-40,686</b>
<b>150. VALUE RECOVERIES ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS</b>	<b>437</b>	<b>638</b>



Items of the Profit and loss account	2018	2017
<b>160. VALUE ADJUSTMENTS ON FINANCIAL FIXED ASSETS</b>	<b>-1,536,747</b>	<b>0</b>
<b>170. VALUE RECOVERIES ON FINANCIAL FIXED ASSETS</b>	<b>0</b>	<b>0</b>
<b>180. PROFIT (LOSS) ON ORDINARY ACTIVITIES</b>	<b>-12,366,834</b>	<b>-2,612,541</b>
<b>190. EXTRAORDINARY PROCEEDS</b>	<b>155,398</b>	<b>35,086</b>
<b>200. EXTRAORDINARY COSTS</b>	<b>-12,136</b>	<b>-38,757</b>
<b>210. EXTRAORDINARY PROFIT (LOSS)</b>	<b>143,262</b>	<b>-3,671</b>
<b>220. INCOME TAX FOR THE FINANCIAL YEAR</b>	<b>0</b>	<b>0</b>
<b>230. CHANGE IN THE GENERAL FINANCIAL RISK FUND</b>	<b>12,223,572</b>	<b>2,616,212</b>
<b>240. OPERATING PROFIT (LOSS)</b>	<b>0</b>	<b>0</b>





## Reclassified profit and loss account

	2018	2017
1 - Interest received and other proceeds	2,621,817	2,294,294
2 - Interest paid and other costs	-1,140,452	-616,730
<b>A - Interest margin</b>	<b>1,481,365</b>	<b>1,677,564</b>
3 - Commissions earned	1,160,009	2,807,831
4 - Commissions paid	-117,510	-125,238
5 - Other operating proceeds	3,689,474	3,869,468
6 - Other operating costs	-180,434	-160,238
<b>B - Service revenues</b>	<b>4,551,539</b>	<b>6,391,823</b>
7 - Dividends and other proceeds	0	0
8 - Profits (losses) from financial operations	-4,026,194	1,875,419
<b>C- Mediation margin (A+B+7+8)</b>	<b>2,006,710</b>	<b>9,944,806</b>
9 - Administrative costs	-11,695,076	-11,555,314
10 - Value adjustments on intangible and tangible fixed assets	- 782,336	-568,985
<b>D - Operating costs</b>	<b>-12,477,412</b>	<b>-12,124,299</b>
<b>E - Gross operating margin (C-D)</b>	<b>-10,470,702</b>	<b>-2,179,493</b>
11 - Provisions for risks and costs	-312,334	-393,000
12 - Provisions to the credit risk funds	0	0
13 - Value adjustments on credits and provisions for guarantees and commitments	-47,488	-40,686
14 - Value recoveries on credits and provisions for guarantees and commitments	437	638
15 - Value adjustments on financial fixed assets	-1,536,747	0
16 - Value adjustments and recoveries on financial fixed assets	0	0
<b>F - Net operating income</b>	<b>-1,896,132</b>	<b>-433,048</b>
17 - Extraordinary proceeds	155,398	35,086
18 - Extraordinary costs	-12,136	-38,757
<b>G - Gross operating margin from extraordinary operations</b>	<b>143,262</b>	<b>-3,671</b>
<b>H. Gross margin</b>	<b>-12,223,572</b>	<b>-2,616,212</b>
19 - Income taxes for the financial year	0	0
<b>I - Net result*</b>	<b>-12,223,572</b>	<b>-2,616,212</b>
20 - Changes in the general financial risk fund	12,223,572	2,616,212
<b>Operating results</b>	<b>0</b>	<b>0</b>

\* Gross of changes in the general financial risk fund.



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## Notes to the financial statements





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## Notes to the financial statements

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### Structure and Contents of the Financial Statements

#### PART A – General Part

##### Section 1 - Illustration of the Valuation Criteria

##### Section 2 - Adjustments and Provisions

#### PART B - INFORMATION ON THE BALANCE SHEET

#### PART C - INFORMATION ON THE PROFIT AND LOSS ACCOUNT

#### PART D - OTHER INFORMATION

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### Structure and Contents of the Financial Statements

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The 2018 Financial Statements were prepared in accordance with the laws currently in force, in particular according to Law No. 96 of 29 June 2005 (Statutes of the Central Bank of the Republic of San Marino), Law No. 165 of 17 November 2005 and Law No. 47 of 23 February 2006 (Laws on companies and banking, financial and insurance service), as amended from time to time.

The Financial Statements, comprising the Balance Sheet, the Profit and Loss Account and the Notes to the Financial Statements, are accompanied by the Reports of the Governing Council, of the Board of Statutory Auditors and of the Audit Firm.

The Balance Sheet and the Profit and Loss Account were prepared according to the statements defined by CBSM Regulation No. 2016/02; the Notes to the Financial Statements were prepared based on the provisions set out in the aforementioned Regulation and CBSM Circular No. 2017/03, with account also being taken however of the peculiarities typical of the business of a Central Bank.

Furthermore, the statement of cash flows (Part D - Other information) was attached to the Notes to the financial statements.

In order to facilitate data analysis, the figures of the previous financial year were also included and, where necessary, were reclassified for the purpose of ensuring data comparability between the two financial years.

Some of the items in the Notes to the financial statements were shown, depending on their denomination, in "Euro" and "foreign currencies", with all non-Euro currencies being included in the latter category.

As regards the individual items of the financial statements, it should be noted that such items are stated in units of Euro, obtained by rounding off the corresponding sum in decimals, that is by the sum of the rounded-off totals where sub-items are concerned.

The differences generated based on such accounting practice were held under "Other assets/liabilities" of the Balance Sheet and "Extraordinary proceeds/costs" of the Profit and Loss Account, in accordance with the general criteria for preparing bank financial statements.

Moreover, it is worth noting that the Notes to the financial statements do not contain any breakdown table when the item in question has no accounting entries for the two accounting periods. Similarly, sections related to activities and/or situations that may not be carried out and/or are not applicable in the light of the aforementioned peculiarities were not included. (Tables not completed: 3.3-3.4-4.4-4.5-6.1-6.2-6.3-6.4-6.5-6.6-7.7-8.3-8.4-9-15.1-16.2-18.3-18.5-19.2-19.4-20.3-20.4-20.5-20.8-20.9-20.10-21.2-21.4-21.5-23.1-28.3-28.5-28.8-31.1-32.1).



### Section 1 - Illustration of valuation criteria

The 2018 Financial Statements were prepared in accordance with the general principle of prudence and accrual basis accounting and going concern basis.

#### CASH BALANCE AND FUNDS AVAILABLE AT CENTRAL BANKS AND POST OFFICES

These were shown at face value, which corresponds to their estimated realisable value.

#### CREDITS

- Loans to credit institutions: these were shown at face value, corresponding to their estimated realisable value; they also included the portion of interest accrued and matured at the reporting date.

- Loans to customers: these were carried at their estimated realisable value, corresponding to their face value; they also included the portion of interest accrued and matured at the reporting date.

- Other credits (held under "Other assets"): other credits were shown at their estimated realisable value, corresponding to their face value.

An exception is represented by the credits for the recovery of sums levied from supervised parties, which were shown at their estimated realisable value, net of value adjustments, corresponding to the portion deemed as not recoverable. Unlike in previous years, where the aforesaid estimated realisable value was derived from an analytical valuation of credits, in 2018 a lump-sum valuation of such credits was made. Credits were adjusted to the extent of their full amount, given that debtors generally face situations that make collection difficult (e.g. insolvency situations). As a result, adjustments were made to the extent of 47,488 Euro, with a corresponding increase in provisions for bad debts.

#### BONDS AND OTHER DEBT FINANCIAL INSTRUMENTS

As at 31/12/2018, debt financial instruments of the bank consisted of investment portfolio and trading portfolio.

The investment portfolio, established in financial year 2017 with a specific resolution of the Governing Council, includes financial instruments intended to be held on a long-term basis by the company and are measured at their purchase price. They are written down in case of an enduring deterioration of the issuer's situation and of the ability of its country of residence to repay its debts or in the event of lasting impairment losses. The relevant value is adjusted for the portion of trading discount.

The trading securities portfolio contains financial instruments held for both investment purposes as well as trading purposes to satisfy treasury and trading needs. This portfolio is measured at the market value as at the last business day of the financial year, as notified by the designated provider. An additional internal assessment was carried out on such values for prudential purposes, based on the prices obtained from reputable counterparties.

The difference between the book value of the individual security and its market value was recognised in the profit and loss account under "Profits (losses) from financial operations".

This item also includes the value of interest accrued at the end of the financial year.

#### SHARES, QUOTAS AND OTHER CAPITAL FINANCIAL INSTRUMENTS

Only one share (of limited amount) was accounted for, in respect of which reference was made to the value notified by the issuer — as transfer value as at 31/12/2018 — since no market price was provided.

### INTANGIBLE FIXED ASSETS

These were carried at their purchase price, including any ancillary costs, and were amortised on a yearly basis according to the straight-line method.

They included:

- Software programmes depreciated based on depreciation plans with a maximum duration of 5 years and amortisation percentages consistent with the fiscal legislation (Law No. 166 of 16/12/2013, as amended from time to time);
- Current intangible fixed assets, with reference to which no amortisation has been carried out yet;
- Other deferred charges.

Deferred charges were recognised in the financial statements with the specific approval of the Board of Statutory Auditors.

With reference to the costs relating to the plan to revise the internal organisation, governance and economic and financial balance of the Central Bank, which underwent recapitalisation in financial years 2016 and 2017, the Governing Council deemed that the requirements were not met in order to continue to hold the intangible asset and, in particular, consider the costs as deferred charges and recoverable in the future. As a result, with the unanimous opinion of the Board of Statutory Auditors, the Governing Council decided to reflect the residual book value (totalling 379,816 Euro) fully in the profit and loss account.

During the first year, intangible fixed assets are amortised for the entire financial year, regardless of the date of actual use.

### TANGIBLE FIXED ASSETS

These were carried at their purchase price, inclusive of any ancillary costs. No write-downs or write-ups were made in 2018.

The cost of fixed assets is depreciated, taking into account the remaining service life of the assets, based on the percentages laid down by the current legislation on taxation (Law No. 166 of 16/12/2013, as amended from time to time) that were deemed to reflect service life.

### ACCRUED REVENUES AND DEFERRED EXPENSES

These items include the portion of costs and proceeds that are common to two or more financial years, in accordance with the accruing principle.

### OTHER ASSETS AND OTHER LIABILITIES

This item includes all assets and liabilities that are not held under any other assets and liabilities, including items in transit not allocated to the relevant accounts.

Other liabilities include, inter alia, means of payment drawn on the bank, such as quittance and drawer's cheques.

### ASSETS AND LIABILITIES IN FOREIGN CURRENCY

Assets and liabilities denominated in foreign currencies were shown in Euro, based on the European Central Bank's exchange rate bulletin dated 28/12/2018.

The aggregate amount of assets and liabilities in foreign currency totalled 19,956,551 Euro and 24,417 Euro, respectively.



## DEBTS

These were carried at their face value, and also included any interest accrued at the reporting date.

## STAFF RETIREMENT ALLOWANCES

This item accounts for the entire amount of benefits accrued during the year by employees, pursuant to the laws and labour agreements currently in force.

## RISK AND COST FUNDS

They are established for the purpose of covering certain or likely losses or debts in respect of which, however, the amount or date of occurrence could not be determined at the reporting date. In measuring such funds, the general principle of prudence and accrual basis accounting were relied upon, and no fund for generic risks was established without an underlying economic reason. Potential liabilities were recognised in the financial statements and were reflected in the funds insofar as they were deemed likely and based on a reasonable estimation of the relevant amount.

No "tax fund" was established given that the Central Bank's Statutes set out that profits (if any) are exempt from General Income Tax.

## GENERAL FINANCIAL RISK FUND

This fund was set up to cover general business risks and, therefore, qualifies as net equity. The balance of any change in this item is held under a specific item in the profit and loss account.

## GUARANTEES AND COMMITMENTS

Guarantees issued were reflected at the value corresponding to the relative commitment undertaken or guaranteed.

Commitments to disburse funds were reflected to the extent of the residual amount to be used.

## INTEREST, COMMISSIONS, COSTS AND PROCEEDS

Interest, commissions, costs and proceeds were recognised on an accrual basis.

## MEMORANDUM ACCOUNTS

Deposited third-party financial instruments and own financial instruments deposited with third parties were recognised at year-end market prices, if available.

Section 2 – Adjustments and provisions made in compliance with fiscal regulations

No value adjustments or provisions were made exclusively in application of fiscal regulations.

## Assets

### 1 Cash balance and available funds at central banks and post offices (Item 10 of Assets)

**Table 1.1: detailed breakdown of item 10 "Cash balance and available funds at central banks and post offices"**

	31/12/2018	31/12/2017	Changes	
Cash balance and available funds at central banks and post offices:			Amount	%
Cash and available funds	12,457,784	14,141,543	-1,683,759	-11.91%
<b>Total</b>	<b>12,457,784</b>	<b>14,141,543</b>	<b>-1,683,759</b>	<b>-11.91%</b>

The vault cash consists of Euro-denominated notes and coins totalling 12,453,809 Euro, including cash available at the company used to discharge centralised cash management duties and cash on hand (99 Euro) maintained with the Single Court of San Marino for legal notification expenses; it also includes foreign currencies for a counter value of 3,975 Euro.

### 2 Treasury bonds and other financial instruments eligible for refinancing at central banks (item 20 of Assets)

**Table 2.1: detailed breakdown of item 20 "Treasury bonds and other financial instruments eligible for refinancing at central banks"**

No amount was entered for this item since it accounts for financial instruments that are held by the banks of San Marino and are eligible for refinancing at this Central Bank.

### 3 Loans to credit institutions (item 30 of Assets)

**Table 3.1: detailed breakdown of item 30 "Loans to credit institutions"**

	31/12/2018			31/12/2017			Changes	
	In Euro	In foreign currency	Total	In Euro	In foreign currency	Total	Total amount	%
Loans to credit institutions:								
A) On demand:	95,087,119	231,973	95,319,092	116,596,006	237,890	116,833,896	-21,514,804	-18.41%
A1. Mutual accounts opened for services provided	1,417,619	0	1,417,619	1,779,728	0	1,779,728	-362,109	-20.35%
A2. Current accounts	93,669,500	231,973	93,901,473	114,816,278	237,890	115,054,168	-21,152,695	-18.38%



with a credit balance								
A3. Others	0	0	0	0	0	0	0	0%
B) Other credits	16,259,576	0	16,259,576	40,016,654	0	40,016,654	-23,757,078	-59.37%
B1. Term deposits	0	0	0	0	0	0	0	0%
B2. Current accounts with a credit balance	16,259,576	0	16,259,576	0	0	0	16,259,576	n.a.
B3. Repurchase agreements and repos	0	0	0	40,016,654	0	40,016,654	-40,016,654	-100%
B4. Others	0	0	0	0	0	0	0	0%
<b>Total</b>	<b>111,346,695</b>	<b>231,973</b>	<b>111,578,668</b>	<b>156,612,660</b>	<b>237,890</b>	<b>156,850,550</b>	<b>-45,271,882</b>	<b>-28.86%</b>

Interbank loans as at 31/12/2018 showed an overall decrease of 28.86% compared to 31/12/2017, resulting from a decline in on-demand credits as well as term credits. With regard to the latter, as shown in the table, as at 31/12/2018 repurchase agreements (-40 Euro) were no longer stated, while current account loans were accounted for (16 million Euro).

The Central Bank does not hold any shareholdings. Therefore, as at 31/12/2018 no credit positions existed with subsidiaries and associated companies or companies linked by a participating interest. Likewise, no amount of a subordinate nature was due.

This item includes interest accrued and overdue at year-end on on demand interbank loans, amounting to -32,743 Euro (recognition of negative interest received) and on term loans, totalling 14,576 Euro, which were stated in the relevant categories.

No value adjustments were made as regards interbank loans.

**Table 3.2: situation of cash loans to credit institutions.**

Categories/Amounts	31/12/2018			31/12/2017		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A) Non-performing loans	0	0	0	0	0	0
A1 Bad loans	0	0	0	0	0	0
A2. Problem loans	0	0	0	0	0	0





A3. Restructured loans	0	0	0	0	0	0
A4. Expired/past due loans	0	0	0	0	0	0
A5. Unsecured loans towards countries at risk	0	0	0	0	0	0
B) Performing loans	111,578,668	0	111,578,668	156,850,550	0	156,850,550
<b>Total</b>	<b>111,578,668</b>	<b>0</b>	<b>111,578,668</b>	<b>156,850,550</b>	<b>0</b>	<b>156,850,550</b>

**Table 3.3: breakdown of “Loans to credit institutions” based on residual life**

<b>MATURITY</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
On demand	95,319,092	116,833,896
Within 3 months	0	40,016,654
After 3 to 6 months	16,259,576	0
After 6 to 12 months	0	0
After 12 to 18 months	0	0
After 18 to 24 months	0	0
After 2 to 5 years	0	0
Over 5 years	0	0
Without maturity	0	0
<b>Total</b>	<b>111,578,668</b>	<b>156,850,550</b>

Regarding the residual life of loans to credit institutions, as also shown in table 3.2, only on demand loans and loans having a maturity ranging from after three months to six months were shown as at 31/12/2018.

#### **4 Loans to customers (item 40 of Assets)**

**Table 4.1: detailed breakdown of item 40 “Loans to customers”**

	<b>31/12/2018</b>	<b>31/12/2017</b>	<b>Changes</b>
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	In Euro	In foreign currency	Total	In Euro	In foreign currency	Total	Total amount	%
A) On demand/until revoked:	156,265	0	156,265	201,227	0	201,227	-44,962	-22.34%
A1. Current accounts with a credit balance	156,265	0	156,265	201,227	0	201,227	-44,962	-22.34%
A2. Others	0	0	0	0	0	0	0	0%
B) Other credits:	97,597,130	0	97,597,130	73,151,911	0	73,151,911	24,445,219	33.42%
B1. Current accounts with a credit balance	92,640,916	0	92,640,916	67,536,747	0	67,536,747	25,104,169	37.17%
B2. Portfolio discounted and subject to collection	0	0	0	0	0	0	0	0%
B3. Repurchase agreements and repos	0	0	0	0	0	0	0	0%
B4. Other loans	4,956,214	0	4,956,214	5,615,164	0	5,615,164	-658,950	-11.74%
<b>Total</b>	<b>97,753,395</b>	<b>0</b>	<b>97,753,395</b>	<b>73,353,138</b>	<b>0</b>	<b>73,353,138</b>	<b>24,400,257</b>	<b>33.26%</b>

"Loans to customers" mainly referred to amounts due from the Public Administration and, to a lesser extent, loans to the employees of the Central Bank. The change in this item as compared to the previous financial year was due to an increase in "Other credits". More specifically, this increase pertained to "Other credits - current accounts with a credit balance", which included two loans to the Most Excellent Chamber, totalling respectively:

- 60 million Euro, opened in December 2012, with repayment starting on 30/11/2014 and maturity on 31/05/2020. On 26 November 2014, the maturity of the aforesaid loan as at 30/06/2026 was extended, and consequently repayment instalments were halved to 2.5 million Euro, whereas the first instalment was collected on 31/12/2014. As at 31/12/2018, the residual credit stood at 37.5 million Euro;
- 25 million Euro, opened in December 2017 and increased to 35 million Euro in February 2018, with maturity at 31 December 2018 extended to 30/06/2019;
- 20 million Euro, opened in December 2018, with maturity at 30/06/2019.

As at 31/12/2018, "Other credits - other loans" showed a decrease, such item including the residual credit of an unsecured mortgage loan taken over by the Central Bank in 2017 as creditor of the Most Excellent Chamber (3.73 million Euro) and loans disbursed to employees of the CBSM (mortgage loans totalling 1.22 million Euro).

In relation to these latter loans, the Bank received mortgage guarantees from its employees amounting to 2,709,312 Euro and sureties amounting to 204,048 Euro, as shown in table 4.2 below.

"Interest to be debited to customers", accrued and matured as at the end of the financial year, totalling 141,160 Euro, was held under "On demand - current accounts with a credit balance" and "Other credits - current accounts with a credit balance".

The Central Bank does not hold any shareholdings. Therefore, as at 31/12/2018 no credit positions existed with subsidiaries and associated companies or companies linked by a participating interest. Likewise, no loans granted to the members of the administrative, management and control bodies were in place.

In any case, these loans did not qualify as subordinated loans.

**Table 4.2: Secured loans to customers**

	31/12/2018	31/12/2017	Changes	
			Amount	%
A) From mortgages	1,223,114	1,348,764	-125,650	-9.32%
B) From liens on:	0	0	0	0%
1. cash deposits	0	0	0	0%
2. securities	0	0	0	0%
3. other assets	0	0	0	0%
C) From guarantees provided by:	0	0	0	0%
1. Public Administrations	0	0	0	0%



2. Monetary financial institutions	0	0	0	0%
3. Investment funds other than monetary mutual funds	0	0	0	0%
4. Other financial companies	0	0	0	0%
5. Insurance companies	0	0	0	0%
6. Pension funds	0	0	0	0%
7. Non-financial companies	0	0	0	0%
8. e) Households and not-for-profit institutions servicing households	0	0	0	0%
- 8.1 Consumer and producer households	0	0	0	0%
- 8.2 Not-for-profit institutions servicing households	0	0	0	0%
9. Others	0	0	0	0%
<b>Total</b>	<b>1,223,114</b>	<b>1,348,764</b>	<b>-125,650</b>	<b>-9.32%</b>

Disclosures refer to mortgages granted to employees. These loans are sometimes extended against collateral and personal guarantees. In the table below, such loans are stated under mortgage-backed loans for their entire amount, given that the mortgage lien is prevailing compared to the personal guarantee, which is residual in nature.

The aforementioned table, where the amount of credits secured by collateral and/or personal guarantees is reflected, does not specify the availability restrictions applied on current accounts with reference to the loans disbursed.

No value adjustments were made as regards loans to customers.

**Table 4.3: situation of cash loans to customers**

Categories/Amounts	31/12/2018			31/12/2017		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A) Non-performing loans	0	0	0	0	0	0
A1 Bad loans	0	0	0	0	0	0
A2. Problem loans	0	0	0	0	0	0



A3. Restructured loans	0	0	0	0	0	0
A4. Expired/past due loans	0	0	0	0	0	0
A5. Unsecured loans towards countries at risk	0	0	0	0	0	0
B) Performing loans	97,753,395	0	97,753,395	73,353,138	0	73,353,138
<b>Total</b>	<b>97,753,395</b>	<b>0</b>	<b>97,753,395</b>	<b>73,353,138</b>	<b>0</b>	<b>73,353,138</b>

**Table 4.4: breakdown of “Loans to customers” based on residual life**

<b>MATURITY</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
On demand	297,182	237,974
Within 3 months	23,463	24,352
After 3 to 6 months	57,523,464	2,524,354
After 6 to 12 months	3,080,241	28,082,016
After 12 to 18 months	2,546,956	2,548,727
After 18 to 24 months	3,080,272	3,082,039
After 2 to 5 years	16,882,064	16,892,574
Over 5 years	14,319,753	19,961,102
Without maturity	0	0
<b>Total</b>	<b>97,753,395</b>	<b>73,353,138</b>

A floating rate fee is received in relation to these loans. It should be noted that the loan to the Most Excellent Chamber, having a residual value of 37.5 million Euro, was stated, for the purposes of the above-mentioned breakdown, on the basis of the repayment schedule (principal portion) agreed with the counterparty, even though from a contractual perspective it qualifies as a loan facility. The above-mentioned breakdown takes into account the new repayment schedule agreed on 26 November 2014, as described above.

**Table 4.5: breakdown of “Loans to customers” (net amounts) by business sector**



	31/12/2018	31/12/2017
a) Public Administrations	96,374,017	71,803,148
b) Financial companies other than credit institutions:	0	0
- Monetary financial institutions (excluding credit institutions)	0	0
- Investment funds other than monetary mutual funds	0	0
- Other financial institutions	0	0
- Insurance companies	0	0
- Pension funds	0	0
c) Non-financial companies - of which cancelled from the Resoaut	0	0
- Industry	0	0
- Construction	0	0
- Services	0	0
- Other non-financial companies	0	0
d) Households and not-for-profit institutions servicing households	1,379,378	1,549,990
- Consumer and producer households	1,379,378	1,549,990
- Not-for-profit institutions servicing households	0	0
e) Others	0	0
<b>Total</b>	<b>97,753,395</b>	<b>73,353,138</b>

## 5 Bonds and other debt financial instruments and shares, quotas and other capital financial instruments (items 50 - 60 of Assets)

**Table 5.1: breakdown of financial instruments held for investment and held for trading**

31/12/2018		
Items/Amounts	Held for investment	Held for trading
<b>Bonds and other debt financial instruments:</b>	<b>40,751,183</b>	<b>120,548,613</b>
- of which bonds and other subordinated debt financial instruments:	0	0



- <i>of which bonds and other debt financial instruments maturing in 2019</i>	0	0
a) issued by public institutions	0	12,128,383
b) issued by credit institutions	0	68,836,122
c) issued by financial companies other than credit institutions	40,751,183	30,575,927
d) issued by other institutions	0	9,008,181
<b>Shares, quotas and other capital financial instruments:</b>	<b>0</b>	<b>5,160</b>
a) shares	0	5,160
<b>Total</b>	<b>40,751,183</b>	<b>120,553,773</b>

Accrued interest income as at 31/12/2018 on the "trading" securities portfolio, totalling 154,004 Euro, and on the "investment" securities portfolio, totalling 418,476 Euro, was held under "Bonds and other debt financial instruments".

**Table 5.2: breakdown of "Financial instruments held as investment"**

Items/Amounts	31/12/2018			31/12/2017		
	Purchase price	Balance sheet value	Fair value	Purchase price	Balance sheet value	Fair value
1. Debt financial instruments	43,287,887	40,751,183	38,708,338	43,287,887	42,139,696	==
1.1 Bonds	43,287,887	40,751,183	38,708,338	43,287,887	42,139,696	==
- listed	0	0	0	0	0	0
- unlisted	43,287,887	40,751,183	38,708,338	43,287,887	42,139,696	==
1.2 Other debt financial instruments	0	0	0	0	0	0
- listed	0	0	0	0	0	0
- unlisted	0	0	0	0	0	0
2. Capital financial instruments	0	0	0	0	0	0
- listed	0	0	0	0	0	0



-unlisted	0	0	0	0	0	0
<b>Total</b>	<b>43,287,887</b>	<b>40,751,183</b>	<b>38,708,338</b>	<b>43,287,887</b>	<b>42,139,696</b>	<b>0</b>

The investment portfolio consists of two structured unlisted bonds purchased in 2017, both issued by the Special Purpose Vehicle (SPV) "Argentum Netherlands BV" (formerly "Demeter Investments BV") .

These securities were included in the investment portfolio following a specific resolution of the Governing Council and their balance sheet value as at 31 December 2018 is shown net of a trading discount for the year, totalling -1.218.857 Euro.

In March 2019, one of the two securities, having a nominal value of USD 20,000,000, was sold earlier than scheduled. The sale, which was approved by the Governing Council, resulted in a loss of 1,536,747 Euro. As at 31/12/2018, this security was written down by the same amount. Consequently, in 2019 only 89,389 Euro will be recognised as an extraordinary income component, corresponding to the trading discount resulting from the adjustment made to the security.

With reference to table 5.2, with regard to the year ended 31/12/2017, the amount shown in the "Purchase price" column was changed to reflect the cost incurred at the time of purchase, including interest accrued on that date. The difference compared to the "balance sheet value" — such value being again established by measuring the securities at purchase cost — was due to the amount of the trading discount/premium, accrued interest as at 31/12/2017 and the pricing in Euro of the USD-denominated security.

On the other hand, with reference to the year ended 31/12/2018, it should be noted that with regard to the security sold earlier than scheduled, the "balance sheet value" was determined by making the above-mentioned adjustment to the purchase cost. The same amount was also used as "fair value".

On the other hand, with regard to the "fair value" of the additional long-term investment bond, the price provided at 31/12/2018 by the counterparty that created the structure of the financial instruments being referred to was used as an indicator of the estimated realisable value.

**Table 5.3: annual changes in "Financial instruments held for investment"**

	31/12/2018	31/12/2017
<b>Opening balances</b>	<b>42,139,696</b>	<b>0</b>
<b>Increases:</b>	<b>1,427,243</b>	<b>43,439,769</b>
1. Purchases	0	43,027,727
- of which: debt financial instruments	0	43,027,727
2. Value recoveries	0	0
3. Transfer from the trading portfolio	0	0
4. Other changes	1,427,243	412,042
<b>Decreases:</b>	<b>2,815,756</b>	<b>1,300,073</b>
1. Sales	0	0





- of which: debt financial instruments	0	0
2. Redemptions	0	0
3. Value adjustments	1,536,747	0
- of which: lasting devaluations	0	0
4. Transfer to the trading portfolio	0	0
5. Other changes	1,279,009	1,300,073
<b>Final balances</b>	<b>40,751,183</b>	<b>42,139,696</b>

With regard to the year ended 31/12/2017, the figures were recalculated, as the value of the USD-denominated security was erroneously held under "Increases - Purchases" at the year-end exchange rate and not at the purchase date. As a result of the above recalculation, the loss incurred due to the exchange rate difference, amounting to 948,183 Euro, was recognised under "Decreases - Other changes" together with trading discounts, amounting to 351,890 Euro.

With regard to the year ended 31/12/2018, the following should be noted:

<b>Item: Increases - Other changes</b>
They refer to accrued revenues as at 31/12/2018 for interest on securities, totalling 418,476 Euro, and gains from the pricing in Euro the security denominated in USD, totalling 1,008,767 Euro.
<b>Item: Decreases - Value adjustments</b>
They refer to the value adjustment previously illustrated in "Part A - Section 1 - Illustration of valuation criteria"
<b>Item: Decreases - Other changes</b>
They refer to trading discounts of securities pertaining to 2018, totalling 866,967 Euro, and interest on securities accrued as at 31/12/2018, totalling 412,042 Euro.

**Table 5.4: breakdown of "Debt financial instruments held for investment" based on residual life**

Maturity	31/12/2018		31/12/2017	
	Fixed rate	Floating rate	Fixed rate	Floating rate
On demand	0	0	0	0
Within 3 months	0	0	0	0
After 3 to 6 months	0	0	0	0
After 6 to 12 months	0	0	0	0
After 12 to 18 months	0	0	0	0



After 18 to 24 months	0	0	0	0
After 2 to 5 years	40,751,183	0	20,919,002	0
Over 5 years	0	0	21,220,694	0
Without maturity	0	0	0	0
<b>Total</b>	<b>40,751,183</b>	<b>0</b>	<b>42,139,696</b>	<b>0</b>

**Table 5.5: detailed breakdown of “Financial Instruments held for trading”**

	<b>31/12/2018</b>	<b>31/12/2017</b>
<b>Items/Amounts</b>	<b>Fair value</b>	<b>Fair value</b>
1. Debt financial instruments	120,548,613	101,137,265
1.1 Bonds	120,548,613	101,137,265
- listed	0	0
- unlisted	120,548,613	101,137,265
1.2 Other debt financial instruments	0	0
- listed	0	0
- unlisted	0	0
2. Capital financial instruments	5,160	4,665
- listed	0	0
- unlisted	5,160	4,665
<b>Total</b>	<b>120,553,773</b>	<b>101,141,930</b>

The portfolio of securities held for trading comprised securities not listed on regulated markets.

As regards bond financial instruments, fair value was determined based on the market value on the last business day of the financial year and was defined as previously illustrated in Part A - Section 1 of these Notes.

As regards capital financial instruments (of a small amount), this item comprised only the value of one share held in the company Swift SCRL, also reflecting capital gains resulting from valuation, amounting to 495 Euro. The aforementioned balance sheet value was determined based on the value notified by the issuer as transfer value as at 31/12/2018.

**Table 5.6: annual changes in "Financial instruments held for trading".**

Opening balances	31/12/2018	31/12/2017
	101,141,930	296,154,312
<b>Increases:</b>	<b>235,544,033</b>	<b>520,624,723</b>
1. Purchases	235,078,632	518,053,206
- of which: debt financial instruments	235,078,632	518,053,206
- of which: capital financial instruments	0	0
2. Value recoveries and revaluations	47,617	134,001
3. Transfer from the investment portfolio	0	0
4. Other changes	417,784	2,437,516
<b>Decreases:</b>	<b>216,132,190</b>	<b>715,637,105</b>
1. Sales and redemptions	211,732,560	715,148,145
- of which: debt financial instruments	211,732,560	715,148,145
- of which: capital financial instruments	0	0
2. Value adjustments and devaluations	4,218,696	133,382
3. Transfer to the investment portfolio	0	0
4. Other changes	180,934	355,578
<b>Final balances</b>	<b>120,553,773</b>	<b>101,141,930</b>

With reference to the above table, the following should be noted:

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**Item: Increases - Purchases**

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They include:

- issue discounts due on the trading date on non-listed fixed income securities, totalling 67,400 Euro.

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**Item: Increases - Value recoveries and revaluations**

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They refer to capital gains calculated in application of the valuation principle shown in Part A.

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**Item: Increases - Other changes**

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They include:

- securities trading gains, totalling 263,780 Euro;

- accrued revenues as at 31/12/2018 on interest on securities, totalling 154,004 Euro.

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**Item: Decreases - Sales and redemptions**

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They include:

- issue discounts accrued as at the trading/redemption date on non-listed fixed income securities, totalling 53,831 Euro.

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**Item: Decreases - Value adjustments**

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They refer to capital losses calculated in application of the valuation principle shown in Part A.

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**Item: Decreases - Other changes**

They include:

- accrued revenues as at 31/12/2018 on interest on securities, totalling 40,131 Euro;
- losses from securities trading, totalling 112,751 Euro;
- issue discounts, pertaining to 2018, on non-listed fixed income securities, totalling 28,052 Euro.

The Central Bank does not hold any shareholdings. Therefore, as at 31/12/2018 no financial instruments issued by subsidiaries and associated companies or companies linked by a participating interest were held in the securities portfolio.

**Table 5.7: breakdown of "Debt financial instruments held for trading" based on residual life**

Residual duration of bonds	31/12/2018		31/12/2017	
	Fixed rate	Floating rate	Fixed rate	Floating rate
On demand	0	0	0	0
Within 3 months	0	0	0	8,311,327
After 3 to 6 months	0	0	0	7,109,479
After 6 to 12 months	0	0	2,510,332	4,005,871
After 12 to 18 months	0	3,207,843	0	7,443,556
After 18 to 24 months	5,227,670	7,250,507	0	4,511,569
After 2 to 5 years	21,579,675	62,301,289	10,415,682	54,893,208
Over 5 years	2,414,454	18,567,175	940,941	995,300
Without maturity	0	0	0	0
<b>Total</b>	<b>29,221,799</b>	<b>91,326,814</b>	<b>13,866,955</b>	<b>87,270,310</b>

## 6 Shareholdings (items 70 - 80 of Assets)

No "Shareholdings" were shown either as at 31/12/2018 or as at 31/12/2017.

## 7 Intangible fixed assets (item 90 of Assets)

**Table 7.1: description of and movements in item 90 "Intangible fixed assets"**

Annual changes	31/12/2018	Financial leasing	Assets pending financial leasing for termination of leasing agreement	Assets available resulting from debt collection	Goodwill	Start-up expenses	Other intangible fixed assets
<b>A. Opening balances</b>	<b>754,168</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>754,168</b>



<b>B. Increases</b>	<b>75,003</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>75,003</b>
B1. Purchases	66,603	0	0	0	0	0	66,603
B2. Value recoveries:	0	0	0	0	0	0	0
- of which for creditworthiness	0	0	0	0	0	0	0
B3. Revaluations	0	0	0	0	0	0	0
B4. Other increases	8,400	0	0	0	0	0	8,400
<b>C. Decreases</b>	<b>537,780</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>537,780</b>
C1. Sales	0	0	0	0	0	0	0
C2. Value adjustments:	537,780	0	0	0	0	0	537,780
- of which amortisation	157,964	0	0	0	0	0	157,964
- of which lasting devaluations	379,816	0	0	0	0	0	379,816
- of which for creditworthiness	0	0	0	0	0	0	0
C3. Other decreases	0	0	0	0	0	0	0
<b>D. Final balances</b>	<b>291,391</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>291,391</b>

With reference to the above table, the following should be noted:

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**Item B.1: Purchases**

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They refer to costs incurred for purchasing software programmes, totalling 63,590 Euro, and deferred charges on third party assets, totalling 3,013 Euro.

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**Item B.4: Other increases**

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They refer to fixed assets under construction.

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**Item C.2: Value adjustments**

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They refer, to the extent of 157,964 Euro, to annual depreciation and, to the extent of 379,816 Euro, to the write-down as described below and in Part A - Section 1 "Illustration of valuation criteria", as a result of the cost relating to the corporate reorganisation project being reflected fully in the profit and loss account.

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**Table 7.2: detailed breakdown of item 90 "Intangible fixed assets"**

	<b>31/12/2018</b>	<b>31/12/2017</b>
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Items/Amounts	Purchase price/Production cost	Balance sheet value	Fair value*	Purchase price/Production cost	Balance sheet value	Fair value*
A. Financial leasing	0	0	0	0	0	0
- of which assets under construction	0	0	0	0	0	0
B. Assets pending financial leasing for termination of leasing agreement	0	0	0	0	0	0
- of which for breach of the lessee	0	0	0	0	0	0
C. Assets available resulting from debt collection	0	0	0	0	0	0
- of which assets available for repayment of loan through a settlement agreement	0	0	0	0	0	0
D. Goodwill	0	0	0	0	0	0
E. Costs of start-up	0	0	0	0	0	0
F. Other intangible fixed assets	798,475	291,391	==	1,428,815	754,168	==
<b>Total</b>	<b>798,475</b>	<b>291,391</b>	<b>==</b>	<b>1,428,815</b>	<b>754,168</b>	<b>==</b>

\*The figure related to the fair value was not specified since, in case of a measurement at purchase cost, it is optional.

With regard to the breakdown of this item, it should be noted that the balance sheet value decreased significantly as a result of full recognition in the profit and loss account of the residual book value (379,816 Euro) of the (previously capitalised) cost relating to consultancy services provided in respect of projects for the revision of the internal organisation, governance and economic and financial balance of the Central Bank undertaken during 2016. This write-down was decided by the Governing Council, with the unanimous opinion of the Board of Statutory Auditors, after establishing that the requirements were not met in order to hold the intangible asset, such requirements including the cost qualifying as a deferred charge and being recoverable in the future.

## 8 Tangible fixed assets (item 100 of Assets)

**Table 8.1: description of and movements in item 100 "Tangible fixed assets"**

Annual	31/12/2018	Financial	Assets pending	Assets available	Lands and	Other tangible
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changes		leasing	financial leasing for termination of leasing agreement	resulting from debt collection	buildings	fixed assets
<b>A. Opening balances</b>	<b>3,716,784</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,595,668</b>	<b>121,116</b>
<b>B. Increases</b>	<b>68,193</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>68,193</b>
B1. Purchases	68,193	0	0	0	0	68,193
B2. Value recoveries:	0	0	0	0	0	0
- of which for creditworthi ness	0	0	0	0	0	0
B3. Revaluations	0	0	0	0	0	0
B4. Other changes	0	0	0	0	0	0
<b>C. Decreases</b>	<b>245,725</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>189,146</b>	<b>56,579</b>
C1. Sales	1,169	0	0	0	0	1,169
C2. Value adjustments:	244,556	0	0	0	189,146	55,410
- of which depreciation	244,556	0	0	0	189,146	55,410
- of which lasting devaluation s	0	0	0	0	0	0
- of which for creditworthi ness	0	0	0	0	0	0
C3. Other changes	0	0	0	0	0	0
<b>D. Final balances</b>	<b>3,539,252</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,406,522</b>	<b>132,730</b>

With reference to the above table, the following should be noted:

#### Item B.1: Purchases

This item includes costs for the purchase of:

- furniture and furnishings totalling 12,235 Euro;
- electronic machinery totalling 35,830 Euro;
- systems and fittings totalling 7,928 Euro.
- motor vehicles totalling 12,200 Euro.

#### Item C.1: Sales

Residual value to be depreciated regarding assets sold during 2018.



**Table 8.2: detailed breakdown of item 100 "Tangible fixed assets"**

Items/Amounts	31/12/2018			31/12/2017		
	Purchase price/Production cost	Balance sheet value	Fair value*	Purchase price/Production cost	Balance sheet value	Fair value*
A. Financial leasing	0	0	0	0	0	0
- of which assets under construction	0	0	0	0	0	0
B. Assets pending financial leasing for termination of leasing agreement	0	0	0	0	0	0
- of which for breach of the lessee	0	0	0	0	0	0
C. Assets available resulting from debt collection	0	0	0	0	0	0
- of which assets available for repayment of loan through a settlement agreement	0	0	0	0	0	0
D. Lands and buildings	6,304,853	3,406,522	==	6,304,853	3,595,668	==
E. Other tangible fixed assets	667,269	132,730	==	600,245	121,116	==
<b>Total</b>	<b>6,972,122</b>	<b>3,539,252</b>	<b>==</b>	<b>6,905,098</b>	<b>3,716,784</b>	<b>==</b>

\*The figure related to the fair value was not specified since, in case of a measurement at purchase cost, it is optional.

## 9 Subscribed capital not paid In (item 110 of Assets)

No portions of subscribed capital not paid in were reflected either as at 31/12/2018 or 31/12/2017.

## 10 Transactions on own shares (item 120 of Assets)

No own shares were reflected either as at 31/12/2018 or as at 31/12/2017.

## 11 Other assets (item 130 of Assets)

**Table 11.1: breakdown of item 130 "Other assets"**

	31/12/2018	31/12/2017
<b>Other assets:</b>		
Security margins	0	1,441,936





Premiums paid for options	0	0
Other	12,371,905	14,859,155
<b>Total</b>	<b>12,371,905</b>	<b>16,301,091</b>

“Other assets” include:

1. Receivables totalling 6.72 million Euro pertaining to commissions to be collected as a consideration for services provided to the Broader Public Administration in 2016-2018 and 2017. These receivables were accounted for on the basis of the three-year Agreement, as aforesaid, between the State Congress and the Central Bank, executed on 6 February 2019 in compliance with the provisions of Article 70 of the 2018 Budget Law (No. 147/2017) and Resolution No. 73 dated 29/12/2018 issued by the State Congress. Pursuant to the above provisions, the commissions were reduced by 20% as compared to the amount set out in the previous agreement (2013-2015 three-year term), to be applied over the entire 2016-2018 period and to be recovered in 2018. As a result, the amount of commissions to be received for services provided in 2016 and 2017 stood at 2,795,000 Euro for each year and at 1,130,000 Euro for 2018, with total receivables standing at 6,720,000 Euro (as at 31/12/2017, 5.58 million Euro had been carried in respect of the first two years only).

During the first months of 2019, as set forth in the aforementioned Agreement, the payment of the amount relating to the 2016 annuity, i.e. 2,795,000 Euro, was received.

2. Recoveries of supervisory charges for 2018, totalling 2.9 million Euro (approximately 2.4 million Euro pertaining to ordinary charges and approximately 0.5 million Euro pertaining to the “Asset Quality Review for the Banking System” project) that supervised parties must pay to the Central Bank by 31 May 2019 (in 2017 they were approximately 3.3 million Euro, of which approximately 2.4 million Euro pertained to ordinary charges and approximately 0.9 million Euro pertained to the “Asset Quality Review for the Banking System” project );
3. Receivables for the recovery of sums levied from supervised parties related to the years prior to 2018, which are still unpaid.

With regard to these receivables, those due from companies no longer operating — totalling a nominal amount of 27,425 Euro — were written off, resulting in a loss of 108 Euro, as they had already been almost entirely written off as at 31/12/2017.

With regard to other credits, the nominal value of which stood at 154,991 Euro (235,970 in 2017), they were fully written off, as illustrated in Part A - Section 1 “Illustration of valuation criteria”. Ensuing value adjustments made in financial year 2018 stood at 47,488 Euro, while overall write-offs totalled 154.991 Euro (135,257 Euro in 2017);

4. Invoices to be issued included 175,633 Euro pertaining to the (i) recovery of maintenance costs for the Central Credit Register, covering the period March-December 2018, and the related first-information service provided to applicant intermediaries from October 2017 to December 2018, totalling 174,767 Euro and 866 Euro, respectively (Circular No. 2015-02).

As at 31/12/2017, an amount of 757,364 Euro was held as invoices to be issued concerning the recovery of costs relating to the “start-up” phase of the Central Credit Register. These invoices were issued during 2018 following completion of the relevant phase on 28/02/2018.

5. Entries to be settled in relation to the pre-authorised collection procedure, totalling approximately 1.4 million Euro (approximately 4.4 million as at 31/12/2017).



## 12 Accrued revenues and deferred expenses (item 140 of Assets)

**Table 12.1: breakdown of item 140 "Accrued revenues and deferred expenses".**

	31/12/2018	31/12/2017
Accrued revenues	0	0
Deferred expenses:	54,088	56,462
- miscellaneous costs	48,373	52,536
- long-term deferred revenues	5,715	3,926
<b>Total</b>	<b>54,088</b>	<b>56,462</b>

Miscellaneous costs mainly refer to rentals paid in advance for services (such as leasing of premises, databank services).

## Liabilities

## 13 Debts with credit institutions (item 10 of Liabilities )

**Table 13.1: detailed breakdown of item 10 "Debts with credit institutions"**

	31/12/2018			31/12/2017			Changes	
	In Euro	In foreign currency	Total	In Euro	In foreign currency	Total	Total amount	%
A) On demand:	118,102,615	0	118,102,615	83,559,790	0	83,559,790	34,542,825	41.34%
A1 Mutual accounts opened for services rendered	0	0	0	0	0	0	0	0%
A2. Demand deposits	118,102,615	0	118,102,615	83,559,790	0	83,559,790	34,542,825	41.34%
A3. Others	0	0	0	0	0	0	0	0%
B) Term or notice debts	100,645,348	0	100,645,348	101,807,586	0	101,807,586	-1,162,238	-1.14%
B1. Current accounts with a debit balance	69,634,457	0	69,634,457	71,303,060	0	71,303,060	-1,668,603	-2.34%
B2. Term deposits	31,010,891	0	31,010,891	30,504,526	0	30,504,526	506,365	1.66%



B3. Repurchase agreements and reverse repos	0	0	0	0	0	0	0	0%
B4. Other loans	0	0	0	0	0	0	0	0%
<b>Total</b>	<b>218,747,963</b>	<b>0</b>	<b>218,747,963</b>	<b>185,367,376</b>	<b>0</b>	<b>185,367,376</b>	<b>33,380,587</b>	<b>18.01%</b>

Accrued expenses related to interest accrued as at 31/12/2018 on term deposits, totalling 10,891 Euro, were held under "Term or notice debts - term deposits", whereas "Term or notice debts - current accounts with a debit balance" include interest paid to be credited, totalling 7,945 Euro.

"Term or notice debts - current accounts with a debit balance" include the amount of the legal reserve established by the banks and related to the maintenance period 15/12/2018-14/01/2019, hence highlighting the technical nature of such accounts.

Funding from banks was up 18.01% overall compared to the year ended 31/12/2017. This increase pertained mainly to on demand current accounts.

**Table 13.2: breakdown of Debts with credit institutions based on residual life**

<b>MATURITY</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
On demand	118,102,615	83,559,790
Within 3 months	21,011,088	20,005,486
After 3 to 6 months	9,999,803	9,499,785
After 6 to 12 months	0	999,255
After 12 to 18 months	0	0
After 18 to 24 months	0	0
After 2 to 5 years	0	0
Over 5 years	0	0
Without maturity	69,634,457	71,303,060
<b>Total</b>	<b>218,747,963</b>	<b>185,367,376</b>

As regards residual life, it should be noted that debts with banks related to deposits opened for the purposes of the legal reserve were held under "Without maturity", since the legal reserve requirement remains valid in time, even though, depending on the actual maintenance period, the amounts of the individual deposits are subject to changes. These debts are paid at a floating rate.

The Central Bank does not hold any shareholdings. Therefore, as at 31/12/2018 no amount was due to subsidiaries and associated companies or companies linked by a participating interest.



**Table 14.1: detailed breakdown of item 20 "Debts with customers"**

	31/12/2018			31/12/2017			Changes	
	In Euro	In foreign currency	Total	In Euro	In foreign currency	Total	Total amount	%
<b>Debts with customers</b>								
A) On demand:	105,405,272	600	105,405,872	78,391,128	561	78,391,689	27,014,183	34.46%
A1. Current accounts with a debit balance	105,405,272	600	105,405,872	78,391,128	561	78,391,689	27,014,183	34.46%
A2. Savings deposits	0	0	0	0	0	0	0	0%
A3. Others	0	0	0	0	0	0	0	0%
B) Term or notice debts:	7,297,304	0	7,297,304	61,742,360	0	61,742,360	-54,445,056	-88.18%
B1. Term current accounts with a debit balance	0	0	0	0	0	0	0	0%
B2. Term savings deposits	0	0	0	55,562,989	0	55,562,989	-55,562,989	-100%
B3. Repurchase agreements and reverse repos	7,297,304	0	7,297,304	6,179,371	0	6,179,371	1,117,933	18.09%
B4. Other funds	0	0	0	0	0	0	0	0%
<b>Total</b>	<b>112,702,576</b>	<b>600</b>	<b>112,703,176</b>	<b>140,133,488</b>	<b>561</b>	<b>140,134,049</b>	<b>-27,430,873</b>	<b>-19.57%</b>

Interest paid to customers, accrued on current accounts at the end of the financial year, totalling 1,560 Euro, were held under "On demand debts - current accounts with a debit balance", whereas accruals on interest paid, totalling 19,231 Euro, were held under "Term or notice debts - Repurchase agreements and reverse repos".

With reference to the breakdown of this item, it should be noted that on demand debts consist mainly of funding from the Broader Public Administration, whereas term or notice debts account for reverse repurchase agreements maintained with the Guarantee Fund for Depositors (item B.3).

The decrease in this item was exclusively due to a decline in "Term or notice debts - term savings deposits", which as at 31/12/2017 included deposits pertaining to FONDISS (supplementary welfare fund of the Republic of San Marino), while as at 31/12/2018 these were maintained with other San Marino banks.

**Table 14.2: breakdown of "Debts with customers" based on residual life**

MATURITY	31/12/2018	31/12/2017
On demand	105,405,872	78,391,689
Within 3 months	2,427,448	1,416,544
After 3 to 6 months	3,470,682	58,018,817
After 6 to 12 months	1,399,174	2,306,999
After 12 to 18 months	0	0
After 18 to 24 months	0	0
After 2 to 5 years	0	0
Over 5 years	0	0
Without maturity	0	0
<b>Total</b>	<b>112,703,176</b>	<b>140,134,049</b>

The Central Bank does not hold any shareholdings. Therefore, as at 31/12/2018 no amount was due to subsidiaries and associated companies or companies linked by a participating interest.

## 15 Debts represented by financial instruments (item 30 of Liabilities)

**Table 15.1: breakdown of debts represented by financial instruments**

No "debts represented by financial instruments" were accounted for either as at 31/12/2018 or as at 31/12/2017.

## 16 Other liabilities (item 40 of Liabilities)

**Table 16.1: breakdown of item 40 "Other liabilities"**

	31/12/2018	31/12/2017
Other liabilities:		
Security margins	0	0



Premiums received on options	0	0
Cheques outstanding and kindred papers	429,533	419,100
Other	5,538,566	8,260,831
<b>Total</b>	<b>5,968,099</b>	<b>8,679,931</b>

For the purposes of data comparability, the amount of "Other liabilities" relating to financial year 2017 was restated, since in 2018, in order to provide a more representative classification of the liability existing at the end of the year in terms of staff retirement allowances, the amount of staff retirement allowances pertaining to untaken holiday entitlement was held under item "60 - Staff retirement allowances" rather than under "Other liabilities".

In addition to cheques outstanding — corresponding to quittance and drawer's cheques issued within the context of the State Treasury Service — "Other liabilities" included:

1. Amounts available to third parties pertaining to (i) collections of the Treasury Service that, due to technical processing times, were waiting to be credited to the relevant current accounts, totalling about 1 million Euro) and (ii) items to be settled relating to the pre-authorised collection procedure, totalling about 1.4 million Euro (as at 31/12/2017, they stood approximately at 836,220 Euro and 4.4 million Euro, respectively);
2. Tax demands notified by the Overdue Tax Collection Department, with payment being already collected and waiting to be transferred to the relevant authorities, totalling 712,974 Euro, and other suspended items relating to the Tax Service, totalling 109,738 Euro (as at 31/12/2017, they stood at 500,468 Euro and 256,091 Euro, respectively);
3. Existing debts related to labour costs, totalling approximately 1.4 million Euro (unchanged as compared to the year ended 31/12/2017), including emoluments, social security and tax costs (including amounts related to the calculation of untaken holiday entitlement as at 31/12/2018) yet to be paid.

**Table 16.2: breakdown of "Other liabilities" based on residual life**

<b>MATURITY</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
On demand	200,700	101,403
Within 3 months	4,811,427	7,547,474
After 3 to 6 months	586,891	663,601
After 6 to 12 months	0	0
After 12 to 18 months	0	0
After 18 to 24 months	0	0
After 2 to 5 years	0	0
Over 5 years	0	0

Without maturity	369,081	367,453
<b>Total</b>	<b>5,968,099</b>	<b>8,679,931</b>

## 17 Accrued expenses and deferred revenues (item 50 of Liabilities)

**Table 17.1: breakdown of item 50 "Accrued expenses and deferred revenues"**

	31/12/2018	31/12/2017
Accrued expenses:	0	187,610
- miscellaneous expenses	0	187,610
Deferred revenues:	108,267	46,431
- long-term deferred revenues	108,267	46,431
<b>Total</b>	<b>108,267</b>	<b>234,041</b>

With reference to the change in "Accrued expenses", it should be noted that as at 31/12/2017 this item included the amount, accrued at that date, of the margin between the forward exchange rate set out in the outright contract and the spot exchange rate applicable at the time the contract was entered into, relating to the outstanding exchange rate risk hedging transaction. No hedging transactions were carried out as at 31/12/2018.

On the other hand, with regard to long-term deferred revenues, the relevant amount increased compared to 2017 due to deferred revenues being recognised as at 31/12/2018 in respect of the invoicing of the recovery of the costs, already incurred financially, relating to the set-up phase of the Central Credit Register.

## 18 Funds (items 60-70-80 of Liabilities)

**Table 18.1: movements in item 60 "Staff retirement allowances"**

	31/12/2018	31/12/2017
<b>Opening balances</b>	<b>524,541</b>	<b>577,479</b>
<b>Increases</b>	<b>499,736</b>	<b>494,800</b>
- provisions	499,736	494,800
- other changes	0	0
<b>Decreases</b>	<b>501,529</b>	<b>547,738</b>
- withdrawals	501,529	547,738
- other changes	0	0



<b>Closing balance</b>	<b>522,748</b>	<b>524,541</b>
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For the purposes of data comparability, the amounts relating to financial year 2017 were restated, since in 2018, in order to provide a more representative classification of the liability existing in terms of staff retirement allowances, the amount of staff retirement pertaining to untaken holiday entitlement was held under this item rather than under "Other liabilities", in line with previous financial years.

This item accounts for the indemnity in lieu of staff retirement allowances accrued during 2018 ("provisions"), including the sum of the staff retirement allowances relating to holiday leave remaining from previous years.

The indemnity accrued in one financial year is paid to the employees in the following financial year ("withdrawals"), within the deadlines laid down by the labour agreement from time to time in force. "Withdrawals" also reflects a decrease, occurred in 2018, in the amount due for staff retirement allowances to be paid in respect of untaken holiday entitlement.

**Table 18.2: breakdown of item 70 "Risk and cost funds"**

<b>Item:</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
Retirement funds and similar provisions	0	0
Tax funds	0	0
Other funds:	502,334	493,000
- fund for costs for extraordinary proceedings	61,250	122,500
- fund for costs for legal expenses/lawyer's fee reimbursements	0	80,500
- fund for legal proceedings	437,500	290,000
- fund for miscellaneous costs	3,584	0
<b>Total</b>	<b>502,334</b>	<b>493,000</b>

**Table 18.3: movements in sub-item c) "Other funds"**

	<b>31/12/2018</b>	<b>31/12/2017</b>
<b>Opening balances</b>	<b>493,000</b>	<b>100,000</b>
<b>Increases</b>	<b>312,334</b>	<b>393,000</b>
- provisions	312,334	393,000
- other changes	0	0



<b>Decreases</b>	<b>303,000</b>	<b>0</b>
- withdrawals	303,000	0
- other changes	0	0
<b>Closing balance</b>	<b>502,334</b>	<b>493,000</b>

The increase in "other funds" pertained to the allocation of:

1. 61,250 Euro to the "fund for costs for extraordinary proceedings", designed to cover costs arising from proceedings pursuant to Title II of Part II of Law No. 165 dated 17 November 2005;
2. 247,500 Euro to the "fund for lawsuits", the total amount of which, amounting to 437,500 Euro, was determined on the basis of the estimated costs, including legal expenses and lawyer's fee reimbursements, that may arise from proceedings pending before the Court;
3. 3,584 Euro to the "fund for miscellaneous costs".

On the other hand, the decrease pertained to withdrawals from the:

1. "Fund for costs for extraordinary proceedings" to the extent of 122,500 Euro, due to financial support provided in respect of administrative compulsory winding-up procedures;
2. "Fund for lawsuits" to the extent of 100,000 Euro in relation to the out-of-court settlement of a dispute arisen in 2018;
3. "Fund for costs for legal expenses/lawyer's fee reimbursements to the extent of 80,500 Euro.

With reference to the administrative procedure concerning Asset Banca S.p.A., any claims for damages "based on a general recognition of liability in tort — i.e. independent of a direct link between the latter and the damage to the capital integrity of the entities being subject to supervision"— must be excluded.

As was the case in previous years, it was decided not to make any provisions with regard to civil lawsuit No. 97/2016, since no sufficient information was available to warrant such provisions.

Labour dispute No. 29/2016 was, by contrast, settled out of court in the early months of 2019.

#### **Table 18.4: movements in item 80 "Fund for credit risks"**

No allocations were made to the "Fund for credit risks" either as at 31/12/2018 or as at 31/12/2017.

### **19 General financial risk fund, Subordinated liabilities, Subscribed capital, Share premiums; Reserves; Revaluation reserves; Profits (losses) carried forward and Operating profit (loss) (items 90-100-110-120-130-140-150-160 of liabilities)**

**Table 19.1: breakdown of item 90 "General financial risk fund"**

	31/12/2018	31/12/2017	Changes	
			Amount	%
<b>Opening balance</b>	49,209,709	51,825,921	-2,616,212	-5.05%



Contributions in the financial year	0	0	0	0%
Withdrawals in the financial year	-12,223,572	-2,616,212	-9,607,360	-367.22%
<b>Closing balance</b>	<b>36,986,137</b>	<b>49,209,709</b>	<b>-12,223,572</b>	<b>24.84%</b>

Pursuant to a resolution issued by the Governing Council, withdrawals were made from the general financial risk fund to the extent of 12.22 million Euro for the purpose of covering the operating deficit for 2018.

The purpose of this fund, gradually appropriated over the years, is to cover the general entrepreneurial risk and is similar to a capital reserve.

Withdrawals from the general financial risk fund for the purpose of reducing losses and driving bottom line must be made at the time the financial statements are prepared by the Management Body, prior to recognising the operating results. This is not a reserve that can be changed by the General Meeting of the Shareholders, like the legal reserve and the statutory reserves.

For this reason, with reference to the financial year 2018, the Governing Council resolved to use this capital reserve, specifically appropriated during the years, and to close the financial year with a break-even result.

The general financial risk fund is a component of the the Bank's equity, like the other reserves mentioned above, to be used by the General Meeting of the Shareholders. As shown in table 19.9 relating to "Changes in net equity in the last 4 years", a decrease in such fund, for the purpose of stabilising bottom line, will result in a capital aggregate reduction.

#### **Table 19.2: breakdown of item 100 "Subordinated liabilities"**

No "Subordinated liabilities" were recognised either as at 31/12/2018 or as at 31/12/2017.

#### **Table 19.3: breakdown of item 110 "Subscribed capital"**

Type of shares	31/12/2018			31/12/2017			Changes	
	No. shares	Unit value	Total value	No. of shares	Unit value	Total value	Amount	%
Registered shares	2,500	5,164.57	12,911,425	2,500	5,164.57	12,911,425	0	0%
<b>Totals</b>	<b>2,500</b>	<b>5,164.57</b>	<b>12,911,425</b>	<b>2,500</b>	<b>5,164.57</b>	<b>12,911,425</b>	<b>0</b>	<b>0%</b>

As laid down by Article 20 of the Central Bank Statutes, the "Endowment fund" is divided into registered and indivisible shares of 5,164.57 Euro each.

The ownership structure of shares is as follows:

- 67% the Most Excellent Chamber of the Republic of San Marino;
- 16% Cassa di Risparmio della Repubblica di San Marino S.p.A.;
- 6% Banca di San Marino S.p.A.;
- 5% Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.;



- 5% Banca Cis - Credito Industriale Sammarinese S.p.A. being subject to extraordinary administration proceedings;
- 1% Banca Sammarinese di Investimento S.p.A.

**Table 19.4: breakdown of item 120 "Share premium"**

No "Share Premium" was recognised either as at 31/12/2018 or as at 31/12/2017.



**Table 19.5: breakdown of item 130 "Reserves"**

	31/12/2018	31/12/2017	Changes	
			Amount	%
a) Ordinary or legal reserve	1,274,013	1,274,013	0	0%
b) Reserve for own shares or quotas	0	0	0	0%
b) Statutory reserves	9,627,277	9,627,277	0	0%
d) Other reserves	0	0	0	0%
<b>Total</b>	<b>10,901,290</b>	<b>10,901,290</b>	<b>0</b>	<b>0%</b>

**Table 19.6: breakdown of item 140 "Revaluation reserve"**

No "Revaluation reserve" was set aside either as at 31/12/2018 or as at 31/12/2017.

**Table 19.7: breakdown of item 150 "Profits (losses) carried forward"**

No "Profits (losses) carried forward" were recognised either as at 31/12/2018 or as at 31/12/2017.

**Table 19.8: breakdown of item 160 "Operating profit (loss)"**

	31/12/2018	31/12/2017	Changes	
			Amount	%
<b>Operating profit (loss)</b>	0	0	0	0%

The financial year ended with a break-even result due to the use of the general financial risk fund, as outlined earlier.

**Table 19.9: changes in net equity in the last 4 years**

	Subscribed capital	Ordinary or legal reserve	Statutory reserve	Operating results	General financial risk fund	Total
<b>Balances as at 31/12/2015</b>	12,911,425	6,840,259	9,627,277	-3,392,725	51,825,921	77,812,157
<b>Balances as at 31/12/2016</b>	12,911,425	3,447,534	9,627,277	-2,173,521	51,825,921	75,638,636
<b>Balances as at 31/12/2017</b>	12,911,425	1,274,013	9,627,277	0	49,209,709	73,022,424
<b>Balances as at</b>	12,911,425	1,274,013	9,627,277	0	36,986,137	60,798,852



<b>31/12/2018</b>						
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**Table 19.10: breakdown of funding by business sector**

	<b>31/12/2018</b>	<b>31/12/2017</b>
a) Public Administrations	98,866,805	126,909,485
b) Financial companies other than credit institutions:	0	0
- Monetary financial institutions (excluding credit institutions)	0	0
- Investment funds other than monetary mutual funds	0	0
- Other financial institutions	0	0
- Insurance companies	0	0
- Pension funds	0	0
c) Non-financial companies	89,789	77,820
- <i>of which</i> cancelled from the Resoaut	0	0
- Industry	0	0
- Construction	0	0
- Services	89,789	77,820
- Other non-financial companies	0	0
d) Households and not-for-profit institutions servicing households	5,491,577	6,005,788
- Consumer and producer households	5,312,372	5,713,285
- Not-for-profit institutions servicing households	179,205	292,503
e) Others	8,255,005	7,140,956



## Guarantees and Commitments

### 20 Guarantees and commitments

**Table 20.1: breakdown of "guarantees issued"**

	31/12/2018	31/12/2017	Changes	
			Amount	%
A) Credit commitments of a commercial nature	0	0	0	0%
B) Credit commitments of a financial nature	1,854,748	2,080,658	-255,910	-10.86%
C) Assets pledged as guarantee	0	0	0	0%
- for third party obligations	0	0	0	0%
- for own obligations	0	0	0	0%
<b>Total</b>	<b>1,854,748</b>	<b>2,080,658</b>	<b>-255,910</b>	<b>-10.86%</b>

**Table 20.2: breakdown of the above-mentioned credit commitments**

	31/12/2018	31/12/2017	Changes	
			Amount	%
A) Credit commitments of a commercial nature	0	0	0	0%
A1. Acceptances	0	0	0	0%
A2. Sureties and bank guarantees	0	0	0	0%
A3. Strong comfort letters	0	0	0	0%
A4. Other	0	0	0	0%
B) Credit commitments of a financial nature	1,854,748	2,080,658	-225,910	-10.86%
B1. Acceptances	0	0	0	0%
B2. Sureties and bank guarantees	1,854,748	2,080,658	-225,910	-10.86%



B3. Strong comfort letters	0	0	0	0%
B4. Other	0	0	0	0%
<b>Total</b>	<b>1,854,748</b>	<b>2,080,658</b>	<b>-225,910</b>	<b>-10.86%</b>

The stated credit commitments consist of sureties that the Bank provided as guarantee for commitments undertaken by the Broader Public Administration.

**Table 20.3: breakdown of “guarantees issued” based on residual life**

<b>MATURITY</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
On demand	0	0
Within 3 months	300,000	0
After 3 to 6 months	0	0
After 6 to 12 months	0	300,000
After 12 to 18 months	0	0
After 18 to 24 months	0	0
After 2 to 5 years	0	0
Over 5 years	1,554,748	1,554,748
Without maturity	0	225,910
<b>Total</b>	<b>1,854,748</b>	<b>2,080,658</b>

**Table 20.4: assets pledged as guarantee of own debts**

No assets pledged as guarantee of own debts were accounted for.

**Table 20.5: margins available on credit lines**

As at 31/12/2018, the CBSM had no credit facilities maintained with other central banks and/or commercial banks and/or financial companies providing access, pursuant to contractual agreements, to cash collection or funding.

The CBSM engages in securities trading and Forex and Money Market transactions with a number of commercial banks, with whom it is possible to carry out transactions, not secured by collateral, for the collection of cash for short periods of time and for limited amounts.

These transactions result from the mutual granting of credit lines with such parties.

**Table 20.6: breakdown of “Spot commitments”**



	31/12/2018	31/12/2017	Changes	
			Amount	%
A. Commitments to disburse funds for certain use	0	0	0	0%
- of which commitments for loans to be disbursed	0	0	0	0%
B. Commitments to exchange financial instruments for certain use	0	0	0	0%
C. Commitments to disburse funds for uncertain use	7,755,000	35,000,000	-27,245,000	-78%
- of which negative margins to be used on credit lines	7,755,000	35,000,000	-27,245,000	-78%
- of which put options issued	0	0	0	0%
D. Commitments to exchange financial instruments for uncertain use	0	0	0	0%
E. Other commitments	0	100,056	-100,056	-100%
<b>Total</b>	<b>7,755,000</b>	<b>35,100,056</b>	<b>-27,345,056</b>	<b>-77.91%</b>

The sub-item of the table "Commitments to disburse funds for uncertain use" refers to the margins available on credit lines granted to resident banks.

#### Table 20.7: Term commitments

No term commitments were in place as at 31/12/2018.

#### Table 20.8: Financial derivatives

No financial derivative contracts were in place as at 31/12/2018.

#### Table 20.9: breakdown of "Commitments" based on residual life

MATURITY	31/12/2018	31/12/2017
On demand	0	0
Within 3 months	0	20,111,729
After 3 to 6 months	7,755,000	35,000,000
After 6 to 12 months	0	10,000,000
After 12 to 18 months	0	0





After 18 to 24 months	0	0
After 2 to 5 years	0	0
Over 5 years	0	0
Without maturity	0	0
<b>Total</b>	<b>7,755,000</b>	<b>65,111,729</b>

**Table 20.10: Derivative contracts on credits**

No derivative contracts on credits were in place as at 31/12/2018 .

## Memorandum accounts

### 21 Memorandum accounts

**Table 21.1: Memorandum accounts**

Items	31/12/2018	31/12/2017
<b>1) Asset management</b>	<b>0</b>	<b>0</b>
a) Asset management for customers	0	0
- of which liquidity	0	0
- of which liquidity deposited with the Central Bank	0	0
- of which debt securities	0	0
- of which debt securities issued by the Central Bank	0	0
- of which debt securities issued by other credit institutions of San Marino	0	0
- of which capital securities and CIS units	0	0
- of which capital securities issued by the Central Bank	0	0
b) Own portfolios managed by third parties	0	0
<b>2 Financial instruments custody and management</b>	<b>302,524,237</b>	<b>283,506,245</b>
a) Deposited third-party financial instruments	141,791,762	140,676,792
- of which debt securities issued by the Central Bank	0	0



- of which debt securities issued by other credit institutions of San Marino	0	0
- of which capital securities and other securities issued by the Central Bank	0	0
- of which third-party financial instruments deposited with third parties	259,201	433,630
b) Own financial instruments deposited with third parties	160,732,475	142,829,453
<b>3) Financial instruments, liquidity and other assets linked to the activities as depositary bank</b>	<b>76,639,280</b>	<b>55,280,104</b>
a) Liquidity	716	104
- of which liquidity deposited with the Central Bank	716	104
b) Debt securities	0	0
- of which debt securities issued by the Central Bank	0	0
- of which debt securities issued by other credit institutions of San Marino	0	0
c) Capital securities, CIS units, other financial instruments	0	0
- of which capital securities issued by the Central Bank	0	0
d) Other assets other than financial instruments and liquidity	76,638,564	55,280,000

As regards "2) Financial instruments custody and management - a) deposited third-party financial instruments", this item includes instruments related to the bond issues of the Most Excellent Chamber of the Republic of San Marino, in relation to which the Central Bank also provides a service of centralised management of such securities in a dematerialised form.

With reference to item "3) Financial instruments and other assets linked to the activities as depositary bank", it should be noted that the amounts stated refer to the custodian bank activities carried out by the Central Bank on behalf of FONDISS (supplementary welfare fund of the Republic of San Marino), pursuant to Law No. 191 dated 6 December 2011.

With reference to other memorandum accounts, the following information is provided:

- The assets foreclosed by the Overdue Tax Collection Service of the Central Bank and deposited with third parties, pending their auction sale pursuant to Article 70 et seq. of Law No. 70 dated 25 May 2004, were recognised for a total amount of 465,781 Euro. As at 31/12/2018, amounts due for collection totalled 336,013,446 Euro, while guarantees received in relation to extensions granted by the Overdue Tax Collection Service stood at 23,194,942 Euro;

- The amount of the mediation guarantee fund managed by the Central Bank (CBSM Regulation No. 2013-03) stood at 650,000 Euro;
- The guarantee fund for depositors managed by the Central Bank (CBSM Regulation No.2016-01) totalled 7,348,555 Euro;
- The promissory note issued by the Government of the Republic of San Marino in favour of the International Monetary Fund to the extent of 43,952,423 Euro and related to the Republic's share held in the International Monetary Fund is deposited with the Central Bank.

With regard to the "San Marino Investor Compensation Fund", established by Decree No. 148 dated 22/11/2018, and the "Extraordinary Fund for the Protection against Financial Fraud", established by Decree No. 131 dated 27/09/2018, no recognition was made, since the relevant implementing regulations have not yet been issued in order that these funds may become operational.

**Table 21.2: breakdown of indirect funding by business sector**

	31/12/2018	31/12/2017
a) Public Administrations	259,645	467,050
b) Financial companies:	0	0
- Monetary financial institutions	0	0
- Investment funds other than monetary mutual funds	0	0
- Other financial institutions	0	0
- Insurance companies	0	0
- Pension funds	0	0
c) Non-financial companies		
- of which parties cancelled from the Register of Authorised Entities	0	0
- Industry	0	0
- Construction	0	0
- Services	0	0
- Other non-financial companies	0	0
d) Households and not-for-profit institutions servicing households	257,786	224,810
- Consumer and producer households	257,786	224,810
- Not-for-profit institutions servicing households	0	0
e) Others	0	0



## 22 Interest (items 10 - 20 of the profit and loss account)

Table 22.1: detailed breakdown of item 10 "Interest received and other proceeds"

	31/12/2018	31/12/2017	Changes	
			Amount	%
A) On Treasury Bonds and other financial instruments eligible for refinancing purposes at central banks	0	0	0	0%
<i>A1. Treasury Bonds and other similar instruments</i>	0	0	0	0%
<i>A2. Other financial instruments eligible for refinancing at central banks</i>	0	0	0	0%
B) On loans to credit institutions	208,859	-101,404	310,263	305.97%
B1. Current accounts with a credit balance	-574,495	-337,070	-237,425	-70.44%
B2. Deposits	0	133	-133	-100%
B3. Other loans	783,354	235,533	547,821	232.59%
<i>of which on leasing transactions</i>	0	0	0	0%
C) On loans to customers	631,371	216,222	415,149	192.00%
C1. Current accounts with a credit balance	524,050	137,735	386,315	280.48%
C2. Deposits	0	0	0	0%
C3. Other loans	107,321	78,487	28,834	36.74%
<i>of which on leasing transactions</i>	0	0	0	0%
D) On debt securities issued by credit institutions	241,153	414,149	-172,996	-41.77%
D1. Certificates of deposit	0	0	0	0%
D2. Bonds	241,153	414,149	-172,996	-41.77%
D3. Other financial instruments	0	0	0	0%
E) On debt securities from customers	1,540,434	1,765,327	-224,893	-12.74%

(issued by other issuers)				
E1. Bonds	1,540,434	1,765,327	-224,893	-12.74%
E2. Other financial instruments	0	0	0	0%
<b>Total</b>	<b>2,621,817</b>	<b>2,294,294</b>	<b>327,523</b>	<b>14.28%</b>

As shown in table 22.1 above, compared to 2017 the overall increase in interest received, totalling 327,523 Euro (+14.28%) was due to interest accrued on loans to credit institutions (totalling 310,263 Euro) and on loans to customers (totalling 415,149 Euro).

With regard to the former, interest on repurchase agreements showed an increase (up 547,821 Euro compared to 31/12/2017), which was partially offset by higher negative interest received on current account deposits.

As regards the latter, interest on current accounts with a credit balance showed an increase of 386,315 Euro, due to new credit facilities granted to customers.

By contrast, interest on debt securities decreased by 397,889 Euro. In this regard, it should be noted that the -515,078 Euro increase in the trading discount relating to securities held for investment, which was accounted for on a pro-rata basis as a deduction of interest received from securities, absorbed the general increase of 117,189 Euro in such interest.

**Table 22.2: detailed breakdown of item 20 "Interest paid and other costs"**

	31/12/2018	31/12/2017	Changes	
			Amount	%
A) On debts with credit institutions	620,700	277,591	343,109	123.60%
<i>A1. Current accounts with a debit balance</i>	91,983	4,091	87,892	2,148.42%
<i>A2. Deposits</i>	83,730	58,459	25,271	43.23%
<i>A3. Other debts</i>	444,987	215,041	229,946	106.93%
B) On debts with customers	519,752	339,139	180,613	53.26%
<i>B1. Current accounts with a debit balance</i>	83,852	34,402	49,450	143.74%
<i>B2. Deposits</i>	398,014	282,989	115,025	40.65%
<i>B3. Other debts</i>	37,886	21,748	16,138	74.20%
C) On debts with credit institutions represented by securities	0	0	0	0%
- of which on certificates of deposit	0	0	0	0%



D) On debts with customers represented by securities	0	0	0	0%
- of which on certificates of deposit	0	0	0	0%
E) On subordinated liabilities	0	0	0	0%
- of which on hybrid capitalisation instruments	0	0	0	0%
<b>Total</b>	<b>1,140,452</b>	<b>616,730</b>	<b>523,722</b>	<b>84.92%</b>

As shown in table 22.2 above, in 2018 interest paid showed an increase, resulting mainly from an increase in interest related to debts with credit institutions. In particular, with reference to the latter interest, it should be noted that this change was due to an increase in the amount carried as a margin between the forward exchange rate established in the contract and the spot exchange rate applicable at the time the contract was entered into, relating to forward hedging transactions carried out (444,987 Euro in 2018 and 187,610 Euro in 2017). Interest paid in relation to current accounts with a debit balance reflecting amounts deposited by way of reserve requirement of Article 142 of Law No. 165/2005 also showed an increase (87,895 Euro) .

With reference, on the other hand, to interest on debts with customers, it should be noted that the increase was mainly due to the remuneration paid to the sums deposited by FONDISS (supplementary welfare fund of the Republic of San Marino) with the Central Bank during 2018 in the form of time deposits and current accounts.

## 23 Dividends and other proceeds (item 30 of the profit and loss account)

No "Dividends and other proceeds" were recognised either as at 31/12/2018 or as at 31/12/2017

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

**Table 24.1: detailed breakdown of item 40 "Commissions earned"**

	31/12/2018	31/12/2017	Absolute changes and %	
			Amount	%
Commissions earned:				
a) Guarantees issued	2,433	3,631	-1,198	-32.99%
b) Credit derivatives	0	0	0	0%
c) Advice on financial instruments	0	0	0	0%
d) Collection and payment services	814,358	1,956,937	-1,142,579	-58.39%
e) Depositary bank services	7,200	7,200	0	0%

f) Financial instruments custody and management	0	0	0	0%
g) Other services	336,018	840,063	-504,045	-60%
<b>Total</b>	<b>1,160,009</b>	<b>2,807,831</b>	<b>-1,647,822</b>	<b>-58.69%</b>

"Collection and payment services" and "Other services" include revenues associated with services provided to the Broader Public Administration.

On 6 February 2019, an Agreement was entered into between the State Congress and the Central Bank of the Republic of San Marino for the remuneration of the services provided to the Public Administration during the 2016-2017-2018 three-year term. Pursuant to the provisions set out in Article 70 of the 2018 Budget Law (No. 147/2017) and Resolution No. 73 dated 29/12/2018 issued by the State Congress, commissions were reduced by 20% as compared to the amount set out in the previous agreement (2013-2015 three-year term), to be applied over the entire 2016-2018 period and to be recovered in 2018. As a result, the amount of commissions to be received in respect of services provided in 2016 and 2017 totalled 2,795,000 Euro for each financial year and 1,130,000 for financial year 2018.

The allocation of the reduction relating to 2016 and 2017 to financial year 2018 led to a significant drop in commission income in the latter year. In addition, 12,000 Euro was also recognised in respect of contingent assets in relation to receivables that had been recorded in respect of the 2016-2017 two-year period, relying on the estimate procedure illustrated in the relevant financial statements.

Commissions for services provided to the Public Administration in 2018 are shown in table 24.1 above using the same criterion for allocation across the different items as the one used in 2017. By contrast, "Depository bank services" include the commissions received by the Central Bank for the depository bank service carried out on behalf of FONDISS (supplementary welfare fund of the Republic of San Marino).

**Table 24.2: detailed breakdown of item 50 "Commissions paid"**

	31/12/2018	31/12/2017	Changes	
			Amount	%
Commissions paid:				
a) Guarantees received	0	0	0	0%
b) Credit derivatives	0	0	0	0%
c) Management of portfolios of financial instruments:	24,891	35,304	-10,413	-29.50%
- own portfolio;	21,846	32,215	-10,369	-32.19%
- third-party portfolio	3,045	3,089	-44	-1.42%
d) Collection and payment services	26,953	19,229	7,724	40.17%



e) Other services	65,666	70,705	-5,039	-7.13%
<b>Total</b>	<b>117,510</b>	<b>125,238</b>	<b>-7,728</b>	<b>-6.17%</b>

Commissions for "Other services" also include the annual commission of 40,000 Euro and quarterly commissions totalling 591 Euro paid to the Italian counterparty in respect of banknote and coin procurement services (in 2017, the annual commission stood at 40,000 Euro, while the quarterly commission totalled 1,356 Euro). As in the previous financial year, other commissions refer to miscellaneous commissions demanded by the banks on current accounts.

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

**Table 25.1: breakdown of item 60 "Profits (losses) from financial operations"**

<b>As at 31/12/2018</b>				
<b>Items/Transactions</b>	<b>Transactions on financial instruments</b>	<b>Foreign currency transactions</b>	<b>Transactions on precious metals</b>	<b>Other transactions</b>
A1. Revaluations	47,617	0	0	0
A2. Devaluations	-4,218,696	0	0	0
B. Other profits/losses	151,028	-6,143	0	0
<b>Total</b>	<b>-4,020,051</b>	<b>-6,143</b>	<b>0</b>	<b>0</b>
1. Government bonds	0			
2. Other debt financial instruments	-4,020,546			
3. Capital financial instruments	495			
4. Derivative contracts on financial instruments	0			
<b>Total</b>	<b>-4,020,051</b>			

### **Item A.1: revaluations**

They account for the aggregate value of the capital gains recognised on the portfolio of debt and capital securities as at 31 December 2018.

### **Item A.2: devaluations**

They account for the aggregate value of the capital losses recognised on the trading securities portfolio as at 31 December 2018.

### **Item B.: other profits/losses**

This item refers to profits and losses resulting from securities trading, including those realised/incurred at the time of redemption at maturity; the second column shows proceeds (trading/valuation) from currencies.

Profits from financial operations dropped by 5.9 million Euro compared to 2017:



1. Securities management resulted in a -4.17 million Euro (619 Euro as at 31/12/2017) balance between capital gains and capital losses from valuation as at 31/12/2018 as well as a 0.15 million Euro profit on securities trading (lower than the one posted as at 31/12/2017, i.e. - 2.08 million Euro).
2. A -6,143 Euro loss for foreign currency valuation/trading was shown as at 31/12/2018 (loss as at 31/12/2017 stood at -0.36 million Euro). This item also reflects the result of the valuation in Euro as at 31/12/2018 of the long-term investment bond denominated in USD (approximately 1 million Euro) as well as the result of forward hedging transactions carried out during the year.

## 26 Other operating proceeds (item 70 of the profit and loss account) and other operating costs (item 80 of the profit and loss account)

**Table 26.1: breakdown of items 70 - 80 "Other operating proceeds", "Other operating costs"**

	31/12/2018	31/12/2017	Changes	
			Amount	%
<b>Other operating proceeds:</b>				
a) Rents received	3,500	3,500	0	0%
b) Recovery of costs for adjusting the RIS to SEPA standards	18,062	18,062	0	0%
c) Recovery of sums levied from supervised parties	2,906,707	3,315,054	-408,347	-12.32%
d) Credit notes, allowances and positive rounding-off of figures	33	51	-18	-35.29%
e) Proceeds from Overdue Tax Collection Services	56,682	52,365	4,317	8.24%
f) Recovery of costs for Central Credit Register	246,069	242,415	3,654	1.51%
g) Recovery of costs associated with procurement services for banknotes and coins	218,537	212,823	5,714	2.68%
h) Annual maintenance costs of the RIS for SEPA payment instruments	18,085	16,570	1,515	9.14%
i) Insurance settlements	197,069	1,158	195,911	16,918.05%
l) Miscellaneous proceeds	24,730	7,470	17,260	231.06%
<b>Total</b>	<b>3,689,474</b>	<b>3,869,468</b>	<b>-179,994</b>	<b>-4.65%</b>
<b>Other operating costs:</b>			<b>Amount</b>	<b>%</b>



a) Expenses related to the centralised management of cash	98,246	99,412	-1,166	-1.17%
b) Allowances and various rounding-off of figures	120	100	20	20%
c) Costs for extraordinary proceedings on supervised entities	80,000	60,000	20,000	33.33%
d) Miscellaneous costs	2,068	726	1,342	184.85%
<b>Total</b>	<b>180,434</b>	<b>160,238</b>	<b>20,196</b>	<b>12.60%</b>

"Other operating proceeds" include, as their most significant economic component, the portion of the total costs arising from the discharge of the supervisory function on other financial, insurance and lending activities, charged to supervised parties for financial year 2018. The remainder of these costs is not recovered and the Central Bank bears these expenses. As already explained in the Assets section related to "Other assets", recovery includes, as was the case in the previous year, expenses incurred for the "Asset Quality Review for the Banking System" project.

"Recovery of costs for Central Credit Register" refers to the recognition of the recovery of the costs pertaining to financial year 2018 carried out by the Central Bank pursuant to Circular No. 2015-02.

"Recovery of costs associated with procurement services for banknotes and coins" refers to the recoveries made in 2018 with the relevant amount for the period.

"Other operating costs" mainly include "Expenses related to the centralised management of cash" and of "Costs for extraordinary proceedings on supervised entities" in respect of administrative compulsory winding-up procedures, to support the coverage of their respective costs.

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

**Table 27.1: Number of employees by category and labour costs**

	<b>Average as at 31/12/2018</b>	<b>Labour costs as at 31/12/2018</b>	<b>Headcount as at 31/12/2018</b>	<b>Average as at 31/12/2017</b>	<b>Headcount as at 31/12/2017</b>	<b>Labour costs as at 31/12/2017</b>
a) Senior Officers	1.08%	107,859	1	2.67	2	521,836
b) Managers	11.75	1,483,445	12	9.25	9	1,448,747
c) Other staff	80.33	5,226,597	80	81	81	4,898,335
1. front office managers/clerks	76.58	5,064,533	77	77	77	
2. support staff	3.75	162,064	3	4	4	
<b>Total</b>	<b>93.16</b>	<b>6,817,901</b>	<b>93</b>	<b>92.92</b>	<b>92</b>	<b>6,868,918</b>

For the purposes of data comparability, amounts reflected in the statements in respect of "a) labour costs – aa) wages and salaries" and "a) labour costs – af) other labour costs" for financial year 2017 were restated, as a more representative classification of these cost items was made in 2018. Moreover, additional entries were made in 2018 concerning costs for permits and untaken holiday



entitlement, which had not been included in the data pertaining to 2017. The amounts concerning such entries are not significant.

**Table 27.2: detailed breakdown of sub-item b) "Other administrative costs"**

	31/12/2018	31/12/2017	Changes	
			Amount	%
Remuneration of the Audit Firm for auditing the Central Bank and the Guarantee Fund for Depositors	25,179	30,240	-5,061	-16.74%
- of which: for services other than the auditing of the financial statements	0	5,061	-5,061	-100%
Graphic art work and advertising	6,742	7,150	-408	-5.71
Insurance premiums	296,161	260,044	36,117	13.89%
Miscellaneous utilities and clearing of premises	130,770	129,185	1,585	1.23%
Forms, stationary and newspapers	39,268	37,227	2,041	5.48%
Postage and telephone	213,793	227,298	-13,505	-5.94%
Consumables and spare parts	16,342	14,477	1,865	12.88%
Professional consultancy fees	1,475,683	1,503,933	-28,250	-1.88%
Reimbursement of travel costs	76,515	98,797	-22,282	-22.55%
Travel	91,322	39,873	51,449	129.03%
Rentals, technical assistance, repairs and various services	1,538,148	1,603,922	-65,774	-4.10%
Association memberships and similar fees	31,000	30,174	826	2.74%
Rents paid	123,705	105,600	18,105	17.14%
Import taxes	1,759	3,621	-1,862	-51.42%
Armed security	29,933	30,126	-193	-0.64%
Translations	17,932	7,563	10,369	137.10%
Miscellaneous transport	20,590	25,636	-5,046	-19.68%



Donations	0	200,000	-200,000	-100%
Lawyer's fee reimbursement	71,884	36,153	35,731	98.83%
Property tax	219,067	0	219,067	n.a.
Miscellaneous and sundry expenses	70,080	45,101	24,979	55.38%
<b>Total</b>	<b>4,495,873</b>	<b>4,436,120</b>	<b>59,753</b>	<b>1.35%</b>

Administrative costs ("Labour Costs" and "Other administrative costs") include the costs incurred for the Financial Intelligence Agency.

One of the most significant changes as a whole shown in the above table is to be found in the decrease in "Donations" (-200,000; -100%). In 2017, this item included an increase in the Central Bank Foundation's Endowment Fund, which did not occur in 2018. On 20/02/2019, the General Meeting of the Shareholders of the Central Bank resolved to start voluntary winding-up procedures for the Foundation.

Attention is also drawn to the 219,067 Euro cost incurred by way of property tax (pursuant to Delegated Decree No. 71/2018), such item not being reflected in 2017.

**Table 27.3: remuneration**

	31/12/2018	31/12/2017	Changes	
			Amount	%
Directors	218,276	204,028	14,248	6.98%
Statutory Auditors	51,325	32,760	18,565	55.67%
Management	333,738	429,474	-95,736	-22.29%
<b>Total</b>	<b>603,339</b>	<b>666,262</b>	<b>-62,923</b>	<b>-9.44%</b>

No commitments were in place regarding retirement benefits for members of the administrative, management or governance bodies who were no longer in office.

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

**Table 28.1: breakdown of items 100-110 "Value adjustments on intangible and tangible fixed assets"**

	31/12/2018	31/12/2017	Changes	
			Amount	%
a) Intangible fixed assets	537,780	332,219	205,561	61.88%
- Software	154,461	141,135	13,326	9.44%



- deferred charges	379,816	188,184	191,632	101.83%
- deferred charges on third party assets	3,503	2,900	603	20.79%
b) Tangible fixed assets	244,556	236,766	7,790	3.29%
- real property	189,146	189,146	0	0%
- systems and fittings	14,824	15,823	-999	-6.31%
- other tangible fixed assets	40,586	31,797	8,789	27.64%
<b>Total</b>	<b>782,336</b>	<b>568,985</b>	<b>213,351</b>	<b>37.50%</b>

With regard to the change in this item as compared to 2017, the increase was mainly due to an increase in adjustments on intangible fixed assets resulting from the deferred charges related to the project for the overall strategic restructuring of the Central Bank being fully reflected in the profit and loss account, such restructuring being already illustrated in the section covering item 90 "Intangible fixed assets".

**Table 28.2: breakdown of item 120 "Provisions for risks and costs"**

	31/12/2018	31/12/2017	Changes	
			Amount	%
a) Retirement funds	0	0	0	0%
b) Tax funds	0	0	0	0%
c) Other funds:	312,334	393,000	-80,666	-20.53%
<i>of which:</i> fund for legal proceedings;	247,500	190,000	-57,500	-30.26%
<i>of which:</i> fund for costs for legal expenses/lawyer's fee reimbursements;	0	80,500	-80,500	-100%
<i>of which:</i> fund for costs for extraordinary proceedings	61,250	122,500	-61,250	-50%
<i>of which:</i> fund for miscellaneous costs	3,584	0	3,584	n.a.
<b>Total</b>	<b>312,334</b>	<b>393,000</b>	<b>-80,666</b>	<b>-20.53%</b>

As specified in the section of Liabilities related to "Risk and cost funds", provisions were mainly allocated to the:

1. Fund for costs for extraordinary proceedings (61,250 Euro) in view of the financial support to be provided in respect of administrative compulsory winding-up procedures;



2. Fund for legal proceedings (247,500 Euro) in view of the of the estimated costs that could arise from proceedings started before the Court in previous years and during 2018;
3. Fund for miscellaneous costs (3,584 Euro).

**Table 28.3: item 130 "Provisions to the credit risk funds"**

In 2018 and 2017, no provisions were allocated to the fund for credit risks.

**Table 28.4: breakdown of item 140 "Value adjustments on credits and provisions for guarantees and commitments"**

	31/12/2018	31/12/2017	Changes	
			Amount	%
a) Value adjustments on credits	47,488	40,686	6,802	16.72%
b) Provisions for guarantees and commitments	0	0	0	0%
<b>Total</b>	<b>47,488</b>	<b>40,686</b>	<b>6,802</b>	<b>16.72%</b>

These refer to value adjustments made to credits in 2018 for the recovery of sums levied from supervised parties included under "other assets", as shown in the breakdown of this latter item.

**Table 28.5: breakdown of item 150 "Value recoveries on credits and provisions for guarantees and commitments"**

	31/12/2018	31/12/2017	Changes	
			Amount	%
Value recoveries	437	638	-201	-31.50%
<b>Total</b>	<b>437</b>	<b>638</b>	<b>-201</b>	<b>-31.50%</b>

These refer to value recoveries made in 2018 with reference to credits for the recovery of sums levied from supervised parties included under "other assets".

**Table 28.6: breakdown of item 160 "Value adjustments on financial fixed assets"**

	31/12/2018	31/12/2017	Changes	
			Amount	%
Value adjustments	1,536,747	0	1,536,747	n.a.
- of which on other debt financial instruments	1,536,747	0	1,536,747	n.a.
<b>Total</b>	<b>1,536,747</b>	<b>0</b>	<b>1,536,747</b>	<b>n.a.</b>

This item refers to the value adjustment made on the long-term investment structured security sold earlier than scheduled in 2019, as already illustrated in the relevant section of the Notes to the financial statements.

**Table 28.7: breakdown of item 170 "Value recoveries on financial fixed assets"**

In 2018 and 2017, no value recoveries on financial fixed assets were made.

**29 Extraordinary proceeds (item 190 of the profit and loss account) and Extraordinary costs (item 200 of the profit and loss account)**

**Table 29.1: breakdown of items 190 and 200 "Extraordinary proceeds" and "Extraordinary costs"**

	31/12/2018	31/12/2017	Changes	
			Amount	%
<b>Extraordinary proceeds</b>				
a) Windfall proceeds	86,472	6,422	80,050	1,246.50%
b) Contingent assets	68,926	28,257	40,669	143.93%
c) Capital gains	0	407	-407	-100%
<b>Total</b>	<b>155,398</b>	<b>35,086</b>	<b>120,312</b>	<b>342.91%</b>
<b>Extraordinary costs</b>				
a) Windfall costs	5,698	30,113	-24,415	-81.08%
b) Contingent liabilities	5,868	2,551	3,317	130.03%
c) Capital losses	569	6,091	-5,522	-90.66%
d) Rounding off in Euro units	1	2	-1	-50%
<b>Total</b>	<b>12,136</b>	<b>38,757</b>	<b>-26,621</b>	<b>-68.69%</b>

As shown in the table above, extraordinary income proceeds were significantly higher than in 2017. They include windfall proceeds, the increase of which was mainly due to the recovery of costs of the Central Credit Register pertaining to 2014, which, at that time, was not allocated to invoices to be issued.

**30 Change in the general financial risk fund (Item 230 of the profit and loss account)**

**Table 30.1: breakdown of item 230 "Change in the general financial risk fund"**

31/12/2018	31/12/2017	Changes
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			<b>Amount</b>	<b>%</b>
<b>Change in the general financial risk fund</b>	12,223,572	2,616,212	9,607,360	367.22%
<b>Total</b>	<b>12,223,572</b>	<b>2,616,212</b>	<b>9,607,360</b>	<b>367.22%</b>

As already commented in the corresponding item of Liabilities, the general financial risk fund was used according to a resolution of the Governing Council for the purpose of covering the operating deficit in financial year 2018.

More details concerning movements in the general financial risk fund are provided in the previous Section 19, table 19.1.



### 31 Statement of cash flows

Generated and collected funds	2018	2017
<b>Funds generated from operations</b>		
Operating loss	0	0
Provisions for risks and costs	312,334	393,000
Provisions to the fund for general banking risks	0	0
Value adjustments on fixed assets	2,319,083	568,985
	<b>2,631,417</b>	<b>961,985</b>
<b>Increase in funds collected:</b>		
Other liabilities	0	1,350,488
Debts with credit institutions	33,380,587	0
Debts with customers	0	57,954,741
Debts represented by financial instruments	0	0
Provisions for staff retirement allowances	499,736	494,800
Other changes	0	0
Accrued expenses and deferred revenues	0	169,548
	<b>33,880,323</b>	<b>59,969,577</b>
<b>Decrease in funds used</b>		
Other assets	3,929,186	0
Shares, quotas and other capital financial instruments	0	0
Cash and available funds	1,683,759	0
Intangible fixed assets	0	60,106
Tangible fixed assets	1,169	36,007
Accrued revenues and deferred expenses	2,374	38,454
Inter-bank loans	45,271,882	0
Bonds and other debt financial instruments	0	152,873,051
Loans to customers	0	0
Shareholdings	0	0
	<b>50,888,370</b>	<b>153,007,618</b>
<b>Total generated and collected funds</b>	<b>87,400,110</b>	<b>213,939,180</b>



Funds used and spent	2018	2017
<b>Value recoveries and use of funds generated from operations:</b>		
Value recoveries (on "other funds")	303,000	0
Utilisation of other funds	12,223,572	2,616,212
Dividends paid out	0	0
Other reserves (unavailable reserves)	0	0
	<b>12,526,572</b>	<b>2,616,212</b>
<b>Increase in funds spent:</b>		
Other assets	0	8,532,788
Other changes	0	0
Cash and available funds	0	4,134,970
Loans to credit institutions	0	61,883,704
Loans to customers	24,400,257	23,340,690
Intangible fixed assets	75,003	194,437
Tangible fixed assets	68,193	34,473
Shares, quotas and other capital financial instruments	495	365
Bonds and other debt financial instruments	19,559,582	0
Shareholdings	0	0
Accrued revenues and deferred expenses	0	0
	<b>44,103,530</b>	<b>98,121,427</b>
<b>Decrease in funds collected:</b>		
Other liabilities	2,711,832	0
Debts with banks	0	112,660,722
Debts with customers	27,430,873	0
Use of staff retirement allowances	501,529	540,819
Debts represented by financial instruments	0	0
Accrued expenses and deferred revenues	125,774	0
	<b>30,770,008</b>	<b>113,201,541</b>
<b>Total funds used and spent</b>	<b>87,400,110</b>	<b>213,939,180</b>

With regard to 2017 figures, it should be noted that they do not reflect the reclassifications made in the financial statements and illustrated in the appropriate Sections of the Notes to the financial statements.

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Board of Statutory Auditors'  
Report on the Financial  
Statements for the year ended  
31 December 2018



# **CENTRAL BANK OF THE REPUBLIC OF SAN MARINO**

**Publicly and privately owned entity**

Registered office: San Marino (RSM) – via del Voltone, 120  
Endowment Fund di Dotazione: Euro 12.911.425,00 (fully paid up)  
Registered in Register of Companies with number 180  
Economic Operator Code SM04262

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## **BOARD OF STATUTORY AUDITOR'S REPORT**

### **ON THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31/12/2018**

♦ ♦ ♦ ♦ ♦

Dear Shareholders,

the Financial Statements for the year ended 31 December 2018, which the Governing Council has submitted for your approval, were drawn up in accordance with the laws currently in force (Law n. 96 of 29/06/2005 and subsequent amendments - Central Bank Statutes; Law n. 165 of 17/11/2005 - Law on Companies and Banking, Financial and Insurance Services; Law no. 47 of 23/02/2006 and subsequent amendments - Companies Law) and taking into account the principles of conduct recommended by the Professional Associations; they are comprised of Balance Sheet, Profit and Loss Account, Notes to the Financial Statements and by the Report of the Governing Council.

The Board of Statutory Auditors examined the Financial Statements for the year ended 31 December 2018 and the Notes to the Financial Statements containing an explanation of the valuation criteria, adjustments and provisions, information on the Balance Sheet, Profit and Loss Account and other information as well as the Report of the Governing Council.

The Financial Statements were approved by the Governing Council at its meeting held on 8 May last, and on that date they were made available to the Board of Statutory Auditors, which waived the deadline pursuant to art. 83 paragraph 1 of Law no. 47 of 23/02/2006 ("Companies Law").

The Notes to the Financial Statements detail the process for determining the loss for the year, which amounts to **12,223,572 Euros, a loss covered through the utilisation of the General Financial Risks Fund**, as allowed by the laws currently in force, and the accounting principles adopted.

The General Financial Risk Fund, provisioned over the years, has the function of covering the general entrepreneurial risk and is similar to a capital reserve and, in fact, the negative result is zeroed.

The result for the year is broken down into the following categories of assets and income expressed in units of Euro obtained by rounding up or down the actual accounting amounts to the unit, or by the sum of the rounded amounts of the sub-items. Extra-accounting differences arising from this process are included in the Financial Statements among other assets/liabilities in the Balance Sheet and among extraordinary income/expenses in the Profit and Loss Account, as required by the general criteria for drawing up of bank financial statements:

	2018	2017
<b>Total balance sheet</b>	<b>399.351.439</b>	<b>408.455.362</b>
Recivables from credit institutions	111.578.668	156.850.550
Receivables form customers	97.753.395	73.353.138
Bonds and other debt financial instruments	161.299.796	143.276.961
Shares, units and other capital financial instruments	5.160	4.665
Sharholdings	0	0
Payables to credit institutions	218.747.963	185.367.376
Payable to customers	112.703.176	140.134.049
Payable represented by financial instruments	0	0
Net equity	60.798.852	73.022.424
Money Management Margin	1.481.365	1.677.564
Profits and loss on financial transactions	-4.026.194	1.875.419
Net banking income	2.006.710	9.944.806
Gross operating income	-10.470.702	-2.179.493
Operating loss	-12.223.572	-2.616.212
Variation in the general financial risk fund	12.223.572	2.616.212
Operating loss	0	0

### **Activity of the Board of Statutory Auditors**

The Board of Statutory Auditors has taken note of the Report of the Independent Auditing Company appointed by the Shareholders' Meeting, received on 09 May 2019, which in its conclusions expresses the following opinion: "In our opinion, the financial statements provides a true and correct representation of the equity and financial situation of the CENTRAL BANK OF THE REPUBLIC OF SAN MARINO as at 31/12/2018 and of the economic result for the year ended on that date".

During 2018, the Board of Statutory Auditors:

- has carried out its own periodic audits, the results of which, together with the related documentation, are contained in the appropriate minute book;
- supervised the observance of the law and the statutes, as well as the compliance with the principles of correct and prudent administration, and in the reprehensible facts and irregularities found undertook the initiatives in the manner set forth by the law in force;
- attended the meetings of the Governing Council held in accordance with the statutory and legislative regulations governing its functioning, not recognizing any conduct contrary to the law. With reference to such meetings, on the basis of the information obtained, we can reasonably certify that the actions deliberated are in compliance with the law and the statutes; they are not manifestly imprudent or risky, nor in potential conflict of interest or in contrast with the resolutions taken by the shareholders' meeting, nor such as to risk compromising the integrity of the company's assets;
- obtained, in the course of the audits carried out periodically as well as during the meetings of the Governing Council, from the Institute's officers, directors and the General Manager, all information on the general performance of operations and its foreseeable evolution, as well as on the most significant economic, financial and equity transactions;
- for the purposes of the reciprocal exchange of data and information, it held appropriate meetings with the representatives of the auditing company and reviewed the reports prepared by the latter
- verified the correct setting of the appropriate procedures for anti-money laundering controls, as well as the Plan of Controls on the initiative of the AML officer.

The Board of Statutory Auditors has not received any reports from Shareholders or third parties of facts considered reprehensible or complaints of any kind pursuant to art. 65 of Law no. 47/2006.

The Board of Statutory Auditors has verified that the financial statements correspond to the facts and information of which we are aware as a result of the performance of our duties and has no observations in this regard.

The Board of Statutory Auditors has examined the financial statements for the year ended 31/12/2018 and reports as follows.

The financial statements in question have been drawn up clearly and in compliance with current legal and fiscal regulations, and they also give a true and correct representation of the equity and financial situation and the economic result for the year, in particular the Board of Statutory Auditors agrees on the principles of preparation and the valuation criteria used.

From comparisons of the Notes to the Financial Statements with those of the previous year, it appears that the valuation of the balance sheet entries was carried out on the basis of the identical valuation criteria, therefore the data are comparable.

We have supervised the general approach given to the financial statements, the general compliance with the law with regard to its preparation and structure, and we have no particular observations to report.

The Board of Statutory Auditors has verified compliance with the provisions of law concerning the preparation of the Notes to the Financial Statements in order to provide a correct presentation of the data contained in the financial statements and in this regard we have no particular comments to make.

We certify that the information on the existing equity funds and the related values are also shown, appropriately expressed in the Notes to the Financial Statements.

In light of the above, and taking into account the outcome of the auditing company, the Board of Statutory Auditors, to the best of its knowledge and competence, believes to express its opinion of compliance with the rules for the preparation of the financial statements, which are therefore drawn up clearly and give a true and correct representation of the equity and financial position and the economic result for the year of the Central Bank.

Finally, the Board of Statutory Auditors intends to express their gratitude to the entire Governing Council, the acting Deputy General Manager and the entire staff, as their cooperation and willingness have facilitated the understanding of the facts and the auditing activities carried out.

San Marino, 10 May 2019

THE BOARD OF STATUTORY AUDITORS

Rag. Pier Angela Gasperoni

Dott. Luca Marcucci

Dott.ssa Valentina Di Francesco

The Board of Statutory Auditors, under its own personal responsibility, pursuant to Art. 6, paragraph 10 of Delegated Decree no. 46 of 24 February 2011, declares that the subjective and objective conditions provided for by current regulations for each of its members for the performance of their duties remain in place.

San Marino, 10 May 2019

THE BOARD OF STATUTORY AUDITORS

Rag. Pier Angela Gasperoni

Dott. Luca Marcucci

Dott.ssa Valentina Di Francesco



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## Audit Firm's Report on the Financial Statements for the year ended 31 December 2018



# **INDEPENDENT AUDITING COMPANY'S REPORT PURSUANT TO ART. 23 PARAGRAPH 3 OF LAW NO. 96 OF 29 JUNE 2005 (STATUTES OF THE CENTRAL BANK OF THE REPUBLIC OF SAN MARINO)**

*To the Shareholders of the  
CENTRAL BANK OF THE REPUBLIC OF SAN MARINO*

## **Introduction**

We have audited the Financial Statements of the CENTRAL BANK OF THE REPUBLIC OF SAN MARINO (hereinafter also referred to simply as the Bank), which comprises the Balance Sheet as at 31/12/2018, the Profit and Loss Account for the financial year ended on such date and the Notes to the Financial Statements.

## **Scope of application of the audit**

We have conducted our audit in compliance with the regulations in force in the Republic of San Marino and, where applicable, with international auditing principles. Our responsibilities pursuant to these principles are further described in the section "Responsibilities of the Auditing Company for the auditing of the Financial Statements" of this report. We are independent from the Bank in compliance with the rules and principles on ethics and independence applicable to the auditing of Financial Statements according to the legal framework of San Marino. We believe that we have obtained sufficient and appropriate evidence to support our opinion.

## **Other Aspects**

This report was issued pursuant to art. 23, paragraph 3 of Law No. 96 of 29 June 2005 (Statutes of the CENTRAL BANK OF THE REPUBLIC OF SAN MARINO). The assignment for the accounting audit was carried out by a person other than the undersigned auditing company.

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

The Directors are responsible for the preparation of Financial Statements that provide a true and correct representation in accordance with the laws and regulations of San Marino governing the criteria for their preparation and, within the terms provided by law, for that part of the internal audits deemed necessary to allow the preparation of Financial Statements that do not contain significant errors due to fraud or unintentional behaviours or events.

The Directors are responsible for the assessment of the Bank's ability to continue to operate as a functioning entity and, in the preparation of the Financial Statements, for the appropriateness of the use of the going concern assumption, as well as providing adequate information in this regard. The Directors use the going concern assumption in the preparation of the annual financial statements, unless they have assessed that the conditions for the Bank's liquidation or interruption of operations are met or have no realistic alternative to such choices.

The Board of Statutory Auditors is responsible for the supervision, within the terms provided for by law, of the process of preparing the financial information of the Bank.

## **Responsibilities of the Auditing Company for the auditing of the annual Financial Statements**

Our objectives are to acquire reasonable assurance that the Financial Statements as a whole do not contain significant errors, whether due to fraud or unintentional behaviours or events, and the issuance of an audit report that includes our audit opinion. By reasonable assurance we mean a high level of certainty that, however, does not provide any guarantee that an audit carried out in accordance with the laws in force in the Republic of San Marino and, where applicable, with international auditing principles, always identifies a significant errors, if any. Errors may arise from fraud or unintentional behaviours or events and are considered significant when they can reasonably be expected, individually or as a whole, to influence the economic decisions taken by the users on the basis of the Financial Statements.

Within the scope of the audit performed in compliance with the regulations in force in the Republic of San Marino and, where applicable, with international auditing principles, we exercised our professional opinion and maintained our professional scepticism throughout the duration of the audit activity. Moreover:

- we identified and assessed the risks of significant errors in the Financial Statements, whether due to fraud or unintentional behaviours or events; we defined and performed audit procedures to respond to such risks; we acquired sufficient and appropriate evidence in support of our opinion. The risk of not detecting significant errors due to fraud is higher than the risk of not detecting significant errors due to unintentional behaviours or events, since fraud may involve collusion, falsification, intentional omissions, misleading representations or the forcing of internal control;
- we acquired reasonable understanding of internal control relevant to auditing in order to determine audit procedures that are appropriate to the circumstances and not to express opinions on the effectiveness of the Bank's internal controls
- we assessed the adequacy of the accounting principles used and the reasonableness of the accounting estimates made by the Directors, including the relevant information;
- we reached a conclusion regarding the appropriateness of the Directors' use of the going concern assumption and, on the basis of the evidence acquired, the possible existence of significant uncertainty regarding events or circumstances that might raise significant doubts about the Bank's ability to continue to operate as a functioning entity;
- in presence of significant uncertainty, we are required to draw the attention in the audit report on the relevant information in the Financial Statements or, should such information be inadequate, to reflect such circumstance in the formulation of our opinion.. Our conclusions are based on the evidence acquired up to the date of this report. However, subsequent events or circumstances may lead the Bank to cease to operate as a functioning entity;
- we assessed the presentation, structure and content of the Financial Statements as a whole, including the information provided, and whether the Financial Statements represent the underlying transactions and events so as to provide a true and correct representation.

We notified to the persons responsible for the governance activities, identified at an appropriate level, among other things, the planned scope and timing for the audit and the significant results that have emerged, including any significant internal control deficiencies identified during the audit.

### **Opinion**

In our opinion, the Financial Statements give a true and correct representation of the equity and financial position of the CENTRAL BANK OF THE REPUBLIC OF SAN MARINO as at 31/12/2018 and of the economic result for the financial year ended on that date.

### **Information of reference**

Without changing our opinion, we draw the attention to the information contained and more detailed in the the Notes to the Financial Statements and in the "2018 Management Report of the Governing Council" regarding the following significant events.

- The Bank, as permitted by the regulations in force, used the General Financial Risks Fund for 12.2 million Euro in order to cover the operating deficit for the 2018 financial year.
- The Bank, with value date 20/03/2019, carried out the early sale of the structured bond "Demeter 9,52 05/29/2023", held in the Bank's investment portfolio for a nominal value of USD 20.000.000, following an exceptional and non-repeatable event. This sale, deliberated by the Governing Council, determined a loss of Euro 1.536.747 which, as at 31/12/2018, have already been included among the "value adjustments on financial fixed assets".

San Marino, 9 May 2019

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

Marco Stolfi - Director

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## **Guarantee Fund for Depositors**



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# Statement of operations for financial year 2018: Assets and liabilities statements

ASSETS	31/12/2018		31/12/2017	
	Total value	As a percentage of assets	Total value	As a percentage of assets
<b>A. FINANCIAL INSTRUMENTS</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
A.1. Listed financial instruments	0	0%	0	0%
A.1.1. Debt securities	0	0%	0	0%
A.1.2. Capital securities	0	0%	0	0%
A.1.3. CIS parts	0	0%	0	0%
A.2. Unlisted financial instruments	0	0%	0	0%
A.2.1. Debt securities	0	0%	0	0%
A.2.2. Capital securities	0	0%	0	0%
A.2.3. CIS parts	0	0%	0	0%
A.3. Derivative financial instruments	0	0%	0	0%
<b>B. CREDITS</b>	<b>7,297,304</b>	<b>99%</b>	<b>6,179,371</b>	<b>99%</b>
B.1. Repurchase agreements	7,297,304	99%	6,179,371	99%
B.2. Others	0	0%	0	0%
<b>C. CASH AT BANKS</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
C.1 On demand	0	0%	0	0%
C.2 Others	0	0%	0	0%
<b>D. LIQUIDITY</b>	<b>51,251</b>	<b>1%</b>	<b>60,345</b>	<b>1%</b>
<b>E. OTHER ASSETS</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>TOTAL ASSETS</b>	<b>7,348,555</b>	<b>100%</b>	<b>6,239,716</b>	<b>100%</b>

LIABILITIES	31/12/2018	31/12/2017
	Total value	Total value
<b>F. FUNDING RECEIVED</b>	<b>0</b>	<b>0</b>
<b>G. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>0</b>	<b>0</b>
<b>H. OTHER LIABILITIES</b>	<b>0</b>	<b>0</b>
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>0</b>

NET	31/12/2018	31/12/2017
	Total value	Total value
<b>NET ASSET VALUE OF THE FUND</b>	<b>7,348,555</b>	<b>6,239,716</b>



## Statement of operations for financial year 2018: Income position

	31/12/2018	31/12/2017
	Total value	Total value
<b>FINANCIAL INSTRUMENTS</b>	<b>0</b>	<b>0</b>
LISTED FINANCIAL INSTRUMENTS	0	0
PROCEEDS FROM INVESTMENTS	0	0
Interest and other proceeds on debt securities	0	0
Dividends and other proceeds on capital income	0	0
Proceeds on CIS parts	0	0
PROFIT/LOSS ON DISPOSALS	0	0
Debt securities	0	0
Capital securities	0	0
CIS parts	0	0
CAPITAL GAINS/LOSSES	0	0
Debt securities	0	0
Capital securities	0	0
CIS parts	0	0
HEDGING TRANSACTIONS MARGIN OF LISTED FINANCIAL INSTRUMENTS	0	0
<b>Operating margin of listed financial instruments</b>	<b>0</b>	<b>0</b>
UNLISTED FINANCIAL INSTRUMENTS	0	0
PROCEEDS FROM INVESTMENTS	0	0
Interest and other proceeds on debt securities	0	0
Dividends and other proceeds on capital income	0	0
Proceeds on CIS parts	0	0
PROFIT/LOSS ON DISPOSALS	0	0
Debt securities	0	0
Capital securities	0	0
CIS parts	0	0
CAPITAL GAINS/LOSSES	0	0
Debt securities	0	0
Capital securities	0	0
CIS parts	0	0
HEDGING TRANSACTIONS MARGIN OF UNLISTED FINANCIAL INSTRUMENTS	0	0
<b>Operating margin on unlisted financial instruments</b>	<b>0</b>	<b>0</b>
NON-HEDGING DERIVATIVE FINANCIAL INSTRUMENTS	0	0
<b>Operating margin on non-hedging derivative financial instruments</b>	<b>0</b>	<b>0</b>
<b>CREDITS</b>	<b>37,886</b>	<b>21,748</b>
Interest received and other proceeds	37,886	21,748
Value increases/decreases	0	0
Profit/loss on disposals	0	0
<b>Operating margin on loans</b>	<b>37,886</b>	<b>21,748</b>
<b>CASH AT BANKS</b>	<b>0</b>	<b>0</b>
Interest received and other proceeds	0	0
<b>Operating margin on cash at banks</b>	<b>0</b>	<b>0</b>
<b>OTHER ASSETS</b>	<b>0</b>	<b>0</b>
<b>Operating margin on investment in other assets</b>	<b>0</b>	<b>0</b>
<b>FOREIGN CURRENCY MANAGEMENT</b>	<b>0</b>	<b>0</b>





<b>Operating margin on foreign currency management</b>	<b>0</b>	<b>0</b>
<b>OTHER OPERATING TRANSACTIONS</b>	<b>0</b>	<b>0</b>
<b>Operating margin on other transactions</b>	<b>0</b>	<b>0</b>
<b><u>GROSS OPERATING MARGIN OF OPERATING ACTIVITIES</u></b>	<b>37,886</b>	<b>21,748</b>
<b>FINANCIAL COSTS</b>	<b>0</b>	<b>0</b>
Interest paid on funding received	0	0
Other financial costs	0	0
<b><u>NET OPERATING MARGIN OF OPERATING ACTIVITIES</u></b>	<b>37,886</b>	<b>21,748</b>
<b>OPERATING COSTS</b>	<b>0</b>	<b>0</b>
Commissions	0	0
Administrative costs	0	0
Other operating costs	0	0
<b>OTHER REVENUES AND COSTS</b>	<b>41</b>	<b>999</b>
Other revenues	41	999
Other costs	0	0
<b><u>OPERATING PROFIT(LOSS)</u></b>	<b>37,927</b>	<b>22,747</b>



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## Statement of operations for financial year 2018: Notes to the financial statements



Pursuant to the provisions of Article III.III.2, paragraph 2, of the “Regulations on the Guarantee Fund for Depositors” (Reg. 2016-01, as amended from time to time), the format of the Statement of operations of the Guarantee Fund for Depositors was prepared based on the provisions of Regulation 2007-06 of the Central Bank currently in force and on the formats annexed thereto, to the extent as compatible.

More specifically, (i) the format of the statement of operations applicable to the so called “Open-end” Funds was used as a basis, with the items typical of mutual investment funds being eliminated; (ii) the level of details of the items that, under the laws currently in force, may not result in any movement for the Guarantee Fund for Depositors was reduced; and (iii) some sub-items were adjusted due to the peculiarities of the Fund itself.

The statement of operations is comprised of the Assets and Liabilities Statements, the Income Position and the Notes to the financial statements, and is accompanied by the Board of Statutory Auditors’ Report and by the Audit Firm’s Report. Indeed, the statement of operations is meant to explain, as regards each financial year, the assets and liabilities mix of the Fund, the profit/loss result achieved and the movements in equity, whereas a broader representation of operations is available in the Annual Report on the Activities of the Fund, attached to the Annual Report of the Central Bank to the Great and General Council.

### Part A - Assets and liabilities and net equity of Fund

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#### Section 1 - Illustration of valuation criteria

In preparing this statement of operations, reliance was made on the accounting principles and valuation criteria generally applied by mutual investment funds, according to the laws and regulations currently in force. Figures are shown in units of Euro.

Liquidity and credits were measured at face value, which corresponds to the estimated realisable value thereof.

Interest received and paid, other proceeds and costs to be borne by the Fund were calculated on an accrual basis, regardless of the date of their collection and payment, including by recognising, where necessary, accrued revenues and accrued expenses.

As regards the valuation of financial instruments as at 31 December 2018, it is worth noting that on such date no such instruments were included in the portfolio.

#### Section 2 - Assets

##### **A. FINANCIAL INSTRUMENTS**

##### **A.1. Listed financial instruments**

As at the reporting date of this statement of operations, the Fund did not hold any listed financial instruments in its portfolio.

##### **A.2. Unlisted financial instruments**

As at the reporting date of this statement of operations, the Fund did not hold any unlisted financial instruments in its portfolio.

##### **A.3. Derivative financial instruments**



As at the reporting date of this statement of operations, the Fund did not hold any derivative financial instruments in its portfolio.

#### **B. CREDITS**

<b>Credits</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
Repurchase agreements	7,297,304	6,179,371
Others	0	0
<b>Total</b>	<b>7,297,304</b>	<b>6,179,371</b>

"Credits - Repurchase agreements" refer to repurchase agreement transactions with the Central Bank of the Republic of San Marino carried out according to the investment policy defined by the Governing Council of the CBSM itself during the meeting held on 12 April 2017.

Interest accrued at year-end on these transactions totalled 19,231 Euro and was held under this item.

#### **C. CASH AT BANKS**

As at the reporting date of this statement of operations, no cash at banks was held other than the current account maintained with the Central Bank and held under "Liquidity".

#### **D. LIQUIDITY**

<b>Liquidity</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
Liquidity	51,251	60,345
<b>Total</b>	<b>51,251</b>	<b>60,345</b>

"Liquidity" refers to the current account maintained in the name of the Fund with the Central Bank of the Republic of San Marino.

Interest to be received accrued as at the end of the financial year with reference to such current account, totalling 5 Euro, was held under this item.

#### **E. OTHER ASSETS**

As at the reporting date of this statement of operations, the Fund did not hold any other assets.

### **Section 3 - Liabilities**

#### **F. FUNDING RECEIVED**

As at the reporting date of this statement of operations, the Fund did not receive any funding.

#### **G. DERIVATIVE FINANCIAL INSTRUMENTS**

As at the reporting date of this statement of operations, the Fund did not have any holdings in derivative financial instruments.

#### **H. OTHER LIABILITIES**



As at the reporting date of this statement of operations, the Fund did not hold any other liabilities.

#### Section 4 - Net Asset Value

Net Asset Value of the Fund	31/12/2018	31/12/2017
<b>Net equity at the beginning of the period</b>	<b>6,239,716</b>	<b>5,000,618</b>
Increases	1,070,912	8,627,914
Decreases	0	7,411,563
Result for the period	37,927	22,747
<b>Net equity at the end of the period</b>	<b>7,348,555</b>	<b>6,239,716</b>

With reference to the data disclosed in the table, it should be noted that:

a. Increases reflect:

- ordinary contributions (1.07 million Euro) for the purpose of reaching the coverage level of 0.47% in 2018 set by the Management Body with reference to the minimum European target level of 0.8% by 2024;

b. The result for the period stood at 37,927 Euro, such amount being tax exempt due to the institutional peculiarities of the Fund.

#### Part B - Income position

The year under review showed a positive result of 37,927 Euro. This result was partly driven by the items shown in the tables of this section.

#### Section 1 - Operating margin on financial instruments

In the period under review, the Fund did not carry out any transaction on financial instruments.

#### Section 2 - Operating margin on credits

Credits	31/12/2018	31/12/2017
Interest received and other proceeds	37,886	21,748
Value increases/decreases	0	0
Profit/loss on disposals	0	0
<b>Total</b>	<b>37,886</b>	<b>21,748</b>



This item reflects the amount of interest accrued with reference to repurchase agreement transactions entered into with the Central Bank of the Republic of San Marino.

### **Section 3 - Operating margin on cash at banks**

As at the reporting date of this statement of operations, no income entries resulting from cash at banks were accounted for.

### **Section 4 - Operating margin on investment in other assets**

In the period under review, the Fund did not carry out any transaction on other assets.

### **Section 5 - Operating margin on foreign currency management**

In the period under review, the Fund did carry out any foreign currency transaction.

### **Section 6 - Operating margin on other transactions**

In the period under review, no other operating transactions were carried out.

### **Section 7 - Financial costs**

In the period under review no loans were raised.

### **Section 8 - Operating costs**

As was the case in the previous period, the costs for operating the Fund in 2018 were covered by the Central Bank, as established with resolution dated 6 April 2018 issued by the Governing Council of the Central Bank of the Republic of San Marino itself.

### **Section 9 - Other revenues and costs**

<b>Other revenues and costs</b>	<b>31/12/2018</b>	<b>31/12/2017</b>
Other revenues	41	999
Other costs	0	0
<b>Total</b>	<b>41</b>	<b>999</b>

"Other revenues" include:

1. 40 Euro of interest accrued on the current account maintained with the Central Bank of the Republic of San Marino;
2. 1 Euro resulting from the the financial statements being rounded off to the nearest Euro unit.

### **Part C - Other information**

There was no other information to report.



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## Board of Statutory Auditors' Report on the statement of operations for financial year 2018



# **CENTRAL BANK**

## **OF THE REPUBLIC OF SAN MARINO**

**Publicly and privately owned entity**

Registered office: San Marino - via del Voltone, 120  
Endowment Fund: Euro 12,911,425.00 fully paid up  
Registered in Register of Companies with number 180  
Economic Operator Code SM04262



### **BOARD OF STATUTORY AUDITORS REPORT**

### **ON THE STATEMENT OF OPERATIONS FOR THE FINANCIAL YEAR ENDED**

### **ON 31/12/2018**

### **GUARANTEE FUND FOR DEPOSITORS**



Dear Participants and Guarantors of the Guarantee Fund for Depositors,  
the Financial Statements for the year ended 31 December 2018, which the Governing Council has submitted for your approval, were drawn up in accordance with the laws currently in force (Law no. 96 of 29/06/2005 and subsequent amendments - Central Bank Statutes; Law no. 165 of 17/11/2005 - Law on Companies and Banking, Financial and Insurance Services; Law no. 47 of 23/02/2006 - Law on Companies); it is comprised of the Assets and Liabilities Statement, Income Statement, Notes to the Financial Statements, the Report of the Board of Statutory Auditors and the Report of the Auditing Company.

The Statement of Operations for the financial year was approved by the Governing Council on 08 May 2019 and was made available to the Board of Statutory Auditors on that date.

During the year ended 31 December 2018, our activities were based on the provisions of Law and the Code of Conduct of the Board of Statutory Auditors issued by the Ordine dei dottori Commercialisti e degli Esperti Contabili (Professional Register of Chartered Accountants and Accounting Professionals) of the Republic of San Marino.



## **STATEMENT OF OPERATIONS**

The statement of operations shows a positive result of 37.927 Euro in the income position and can be summarised in the following items:

### **BALANCE SHEET**

ASSETS	<b>€ 7.348.555</b>
LIABILITIES	<b>€ 0</b>
TOTAL NET VALUE OF THE FUND	<b>€ 7.348.555</b>

### **INCOME POSITION**

CREDITS from INTEREST REVENUES AND OTHER PROCEEDS	<b>€ 37.886</b>
<b>NET PROFIT FROM ORDINARY OPERATIONS</b>	<b>€ 37.886</b>
OTHER REVENUES AND EXPENSES	<b>€ 41</b>
<b>OPERATING PROFIT</b>	<b>€ 37.927</b>

### **Activity of the Board of Statutory Auditors**

The Board of Statutory Auditors has taken note of the Report of the Independent Auditing Company appointed by the Shareholders' Meeting, received on 09 May 2019, which - in its conclusions - expresses the following opinion: "the statement of operations provides a true and correct representation of the equity and financial situation of the Fund as of 31/12/2018 and of the economic result for the year ended on that date, in compliance with Regulation no. 2007-06 issued by the Central Bank of the Republic of San Marino, which disciplines the criteria for its preparation".

We have monitored compliance with the law, the Rules of the Guarantee Fund for Depositors and the principles of correct administration.

We have acquired information from the Management Body on the overall performance of operations and outlook, as well as on the most significant transactions, due to their size or characteristics carried out by the Fund and on the basis of the information acquired we have no observations to report.

We have been able to verify that the actions deliberated and implemented are in compliance with the law and the Regulation and that they do not seem to be imprudent, risky, or in potential conflict of interest.

We have acquired knowledge and supervised, to the extent of our competence, the adequacy and functioning of the accounting and administrative system, its reliability to correctly represent management-related issues by obtaining information from the managers of the management body, from the person in charge of the auditing, and to this regard we have no particular remarks to report.

To the extent necessary, we hereby acknowledge that the Board of Statutory Auditors is not aware of any decisions taken by the competent bodies that do not comply with the regulations of the Central Bank and the provisions of the Law.

During the supervisory activity, no further significant facts emerged that would require to be mentioned in the following report.

### **STATEMENT OF OPERATIONS FOR THE FINANCIAL YEAR 2018**

We have examined the Statement of Operations for the year ended 31 December 2018, which was made available to us on 08 May 2019, with waiver of the deadline as per Art. 83 paragraph 1 of Law 47/2006 - Company Law), in relation to which we report the following..

We have monitored the general approach given to it, its overall compliance with the law, its formation and structure and in this regard we have no particular observations to report.

We have verified compliance with the law regarding the drafting of the Statement of Operations and have no remarks in this regard.

The Board of Statutory Auditors has been in contact with the Independent Auditing Company and no significant aspects have emerged for which it was necessary to proceed with specific investigations; we have not been informed of any reprehensible facts regarding the assessments carried out.

### **Conclusions**

In light of the above, keeping in mind that no irregular facts nor reservations have emerged, this Board of Statutory Auditors, to the best of its knowledge and to the extent of its competence, deems to express its opinion of compliance with the laws governing the preparation of the Statement of Operations, which is therefore clearly drawn up and provides a true and correct representation of the assets and liabilities statements and income position.

Finally, the Board of Statutory Auditors intends to express its gratitude to the entire Governing Council, the Acting Deputy Director and the entire staff as, with their cooperation and willingness, they have facilitated the understanding of the facts and the auditing activities performed.

San Marino, 10 May 2019

THE BOARD OF STATUTORY AUDITORS

Rag. Pier Angela Gasperoni

Dott. Luca Marcucci

Dott.ssa Valentina Di Francesco

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## Audit Firms' Report on the statement of operations for financial year 2018



**INDEPENDENT AUDITING COMPANY' REPORT PURSUANT TO ART. 33 OF THE LISF AND ART. III.III.2, PARAGRAPH 2, OF THE "REGULATION OF THE GUARANTEE FUND FOR DEPOSITORS" (CBSM REGULATION NO. 2016-01) AND ACCORDING TO THE PROVISIONS OF THE CBSM REGULATION NO. 2007-06 CURRENTLY IN FORCE**

**To the Participants and to the Guaranteed Parties of the  
Guarantee Fund for Depositors**

**Opinion**

We have audited the Statement of Operations of the Guarantee Fund for Depositors, comprised of the Assets and Liabilities Statements as at 31/12/2018, the Income Statement for the financial year ended on that date and the Notes to the Financial Statements.

In our opinion, the Statement of Operations provides a true and correct representation of the equity and financial situation of the Fund as of 31/12/2018 and the economic result for the financial year ended on that date, in compliance with Regulation no. 2007-06 issued by the Central Bank of the Republic of San Marino, which governs the criteria for its preparation.

**Elements behind the opinion**

We carried out the audit with reference to the regulatory framework of the Republic of San Marino governing the criteria for the preparation of Statement of Operations and, where applicable, in compliance with the international auditing principles (San Marino has not yet adopted its own auditing principles). Our responsibilities pursuant to such principles are further described in the " Responsibilities of the Auditing Company for the audit of the Statement of Operations" section of this report. We are independent from the Fund, the Management Body of the Fund appointed by the Central Bank of the Republic of San Marino as well as from the directors of the latter, in compliance with the rules and principles on ethics and independence applicable to the auditing of financial statements in the legal framework of San Marino. We believe that we have acquired sufficient and appropriate evidence to support our opinion.

**Responsibilities of the Management Body of the Fund and of the Board of Statutory Auditors as regards the Statement of Operations**

The Directors of the Central Bank of the Republic of San Marino are responsible for the preparation of the Statement of Operations of the Fund that provides a true and correct representation in compliance with Regulation no. 2007-06 issued by the Central Bank of the Republic of San Marino that regulates the criteria for its preparation and, within the

terms provided by law, for that part of the internal control deemed necessary to allow the preparation of a Statement of Operations that does not contain significant errors due to fraud or unintentional behaviours or events.

The Directors of the Central Bank of the Republic of San Marino are responsible for assessing the Fund's ability to continue to operate as a functioning entity and, in the preparation of the Statement of Operations, for the appropriateness of the use of the going concern assumption, as well as for providing adequate information in this regard. The Directors shall use the going concern assumption in the preparation of the Statement of Operations unless they have assessed that the conditions for the liquidation of the Fund or for the interruption of operations are met or they have no realistic alternative to such choices.

The Board of Statutory Auditors of the Fund is responsible for the supervision, within the terms provided by law, on the process of preparation of the Fund's financial information.

### **Responsibilities of the Auditing company for the auditing of the Statement of Operations**

Our objectives are to acquire reasonable assurance that the Statement of Operations as a whole does not contain significant errors, whether due to fraud or unintentional behaviours or events, and the issuance of an audit report that includes our audit opinion. By reasonable assurance we mean a high level of certainty that, however, does not provide any guarantee that an audit carried out in accordance with the San Marino regulatory framework will always identify a significant error, if any. Errors may arise from fraud or unintentional behaviours or events and shall be deemed significant if they can reasonably be expected to influence either individually or as a whole the economic decisions taken by the users on the basis of the annual financial statements.

Within the scope of the audit performed in compliance with the regulatory framework of the Republic of San Marino and, where applicable, in compliance with international auditing principles, we exercised our professional opinion and maintained our professional scepticism throughout the duration of the audit activity. Moreover:

- we identified and assessed the risks of material misstatement in the Statement of Operations, whether due to fraud or unintentional behaviours or events;
- we defined and performed audit procedures to respond to such risks; we acquired sufficient and appropriate evidence in support of our opinion. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting a material misstatement due to unintentional behaviours or events, since fraud may involve collusion, falsification, intentional omissions, misleading representations or the forcing of internal control;
  - we acquired reasonable understanding of internal control relevant to auditing in order to determine audit procedures that are appropriate to the circumstances and not to express opinions on the effectiveness of the internal controls of the Fund and of the Central Bank of the Republic of San Marino;

- we assessed the adequacy of the evaluation criteria and procedures adopted, as well as the reasonableness of the accounting estimates made by the Directors, including the relevant information;
- we reached a conclusion regarding the appropriateness of the Directors' use of the going concern assumption and, on the basis of the evidence acquired, the possible existence of significant uncertainty regarding events or circumstances that might raise significant doubts about the Fund's ability to continue to operate as a functioning entity. In presence of significant uncertainty, we are required to draw the attention in the audit report on the relevant information in the Statement of Operations or, should such information be inadequate, to reflect such circumstance in the formulation of our opinion. Our conclusions are based on the evidence acquired up to the date of this report. However, subsequent events or circumstances may lead the Fund to cease to operate as a functioning entity;
- we assessed the presentation, structure and content of the Statement of Operations as a whole, including the information provided, and whether the Statement of Operations represents the underlying transactions and events so as to provide a true and correct representation.

We notified to the persons responsible for the governance activities of the Fund, identified at an appropriate level, among other things, the planned scope and timing for the audit and the significant results that have emerged.

San Marino, 9 May 2019

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

Marco Stolfi - Director



BANCA  
CENTRALE



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DI SAN MARINO  
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