

# *Annual Accounts*

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## *2021*



# **Annual Accounts 2021**



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

Registered office - Via del Voltone, 120 - 47890 San Marino - Republic of San Marino  
Tel. +378 0549 882325 - Fax +378 0549 882328  
country code (+) 378 swift code: icmsmsm  
[www.bcsmsm](http://www.bcsmsm)

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

Governing Council	
Catia Tomasetti	Chairman
Francesco Mancini	Vice Chairman
Francesco Ielpo	Member
Martina Mazza <sup>1</sup>	Member
Antonella Mularoni	Member
Giacomo Volpinari	Member

Board of Statutory Auditors	
Pier Angela Gasperoni	Chairman
Valentina Di Francesco	Statutory Auditor
Monica Zafferani	Statutory Auditor

Directorate General	
Giuseppe Ucci	Acting Deputy Director
Daniele Bernardi	Deputy Director

Supervision Committee	
Giuseppe Ucci	Chairman
Giuliano Battistini	Internal Inspector
Marco Giulianelli	Internal Inspector
Maurizio Pappalardo	Internal Inspector
Andrea Vivoli	External Inspector

Updated as at 31 December 2021

<sup>1</sup> Resigned on June 25, 2021





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## Governing Council Report on Operations - FY 2021



## Dear Shareholders,

Below are the financial highlights and main economic-equity indicators for financial year 2021.

	2021	2020	Change	
			absolute	%
<b>Balance Sheet Total</b>	<b>836,900,767</b>	<b>749,375,244</b>	<b>87,525,523</b>	<b>11.68%</b>
Loans to credit institutions	372,400,162	354,156,582	18,243,580	5.15%
Loans to customers	27,073,205	87,136,156	-60,062,951	-68.93%
Bonds and other debt financial instruments	408,621,050	266,420,654	142,200,396	53.37%
Shares, quotas and other capital financial instruments	6,055	5,705	350	6.13%
Shareholdings	0	19,000,000	-19,000,000	-100%
Debts with credit institutions	560,981,062	424,505,315	136,475,747	32.15%
Debts with customers	211,529,797	256,741,004	-45,211,207	-17.61%
Debts represented by financial instruments	0	0	0	0%
Risks and Costs Funds	852,158	6,750,690	-5,898,532	-87.38%
Net equity <sup>1</sup>	57,610,190	56,343,023	1,267,167	2.25%
Interest margin	-1,111,343	1,475,921	-2,587,264	-175.3%
Profits and losses on financial transactions	935,387	2,413,361	-1,477,974	-61.24%
Mediation margin	4,828,742	8,466,574	-3,637,832	-42.97%
Gross operating margin	-4,318,741	-797,649	-3,521,092	-441.43%
Net result	1,267,167	-4,956,286	6,223,453	125.57%
Change in the Fund for general financial risks	-1,267,167	4,956,286	-6,223,453	-125.57%
Operating results	0	0	0	0%

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

## Net equity data

The figures reflected in the table and referring to 31 December 2021 and 31 December 2020 show first of all that the balance sheet total increased by EUR 87.53 million in the last financial year, from EUR 749.38 million to EUR 836.90 million.

With reference to the main balance sheet items, funding and loans rose.

**Funding** from banks and customers as at 31 December 2021 totalled EUR 772.51 million compared to EUR 681.25 million as at 31 December 2020, reflecting an increase of EUR 91.24 million.

More specifically, in the period under review:



- funding from banks increased overall by EUR 136.48 million (32.15%), with on demand deposits in particular increasing by EUR 142.1 million;
- funding from customers, on the other hand, recorded a decrease of EUR 45.21 million (17.61%), referring solely to demand deposits.

**Loans** to banks and to customers and holdings in the securities portfolio as at 31 December 2021 stood at EUR 808.09 million compared to EUR 707.71 million as at 31 December 2020, up EUR 100.38 million.

More specifically:

- loans to credit institutions increased by EUR 18.24 million; the increase occurred in "on demand" items, for EUR 163.47 million, while term items decreased by EUR -145.23 million;
- loans to customers decreased by EUR -60.03 million due to the repayment of loans by the Chamber of Commerce.

With regard to the general increase in funding and consequently in loans, it should be noted that the increase in State liquidity, due to the issue of public debt securities, also contributed to it.

The **securities portfolio** recorded a total value as at 31 December 2021 of EUR 408.62 million, up by EUR 142.2 million (53.37%) compared to 31 December 2020. This increase is attributable to internal management and resource allocation decisions.

As shown in the relevant section of the Notes to the Annual Accounts, the securities portfolio as at 31 December 2021 is composed of both securities held for trading and securities held for investment.

## Shareholdings

As 31 December 2021, the Central Bank did not hold shareholdings and equity investments in Group companies.

Compared to the previous year, shareholdings were reduced to zero, following the sale to the Chamber of Commerce, on 30 June 2021, of the 100% interest, equal to EUR 19,000,000, held in Banca Nazionale Sammarinese, now S.G.A. Società di Gestione degli Attivi, formerly BNS S.p.A..

Pursuant to Law Decree No. 133 dated 19 July 2021 (which ratified Law Decree No. 118 of 25 June 2021), payment of the sale took place with the issue of irredeemable securities of the public debt, reserved to the Central Bank, with a nominal value of EUR 19,000,000.

Considering the characteristics of the security, perpetual, the absence of an explicit, illiquid rating, which does not make it suitable for inclusion in a trading book, the Governing Council, by means of a specific resolution, decided to freeze it, as it is to be retained as part of the company's assets. In addition, the Governing Council, in adopting this decision, took into account the fact that this security was received by the Bank by law, deriving from the transformation of a fixed asset, such as the shareholding in Banca Nazionale Sammarinese S.p.A..

Please refer to the relevant Sections of the Notes to the Annual Accounts for the related information.

At 31 December 2021, **net equity** amounted to EUR 57.6 million and consisted of the endowment fund subscribed by the Chamber of Commerce and by banks, reserves, the fund for general financial risks and operating margin, as detailed in the relevant section of the Notes to the Annual Accounts. It showed an increase of EUR 1.27 million, due to the provision to the fund for general financial risks.

In this regard, the Bank's Governing Council resolved to replenish, even if only in part, the previously eroded equity reserves, through the provision to this fund of the operating surplus recorded in 2021, closing the year with a perfect break-even position.



## Economic and Income Indicators

Based on an examination of the income indicators of the reclassified profit and loss account, **mediation margin**, amounting to EUR 4.83 million, decreased by EUR -3.64 million compared to the previous year. This result was substantially determined by the decrease in the interest margin and by the trend in profits / losses on financial transactions.

More specifically:

- **Interest margin**

The interest margin decreased by -2.59 million euro compared to 2020, essentially due to the decrease recorded in interest received both on loans to credit institutions, due to higher negative interest received on current accounts and deposits with banks, and on loans to customers for lower interest following the repayment of certain loans previously disbursed to the Chamber of Commerce.

By contrast, interest paid recorded a positive value of EUR 255,118, marking a positive change of EUR 270,885 compared to the previous year, mainly due to the application, starting from March 2021, of the negative rate on centralised accounts of San Marino banks.

- **Service revenues**

Compared to 2020, they recorded an increase of EUR 427,406 mainly due to the increase in the item "Other operating proceeds", due to total recovery in terms of the amount of supervisory expenses.

- **Profits (losses) on financial transactions**

The net profits from financial operations of EUR 935,387 (in 2020 it was EUR 2.41 million) decreased by EUR -1.5 million compared to last year. In detail, securities management resulted in a negative balance between capital gains and capital losses arising from valuation as at 31 December 2021 of EUR -1 million (as at 31 December 2020 it amounted to a positive EUR 0.79 million) and trading gains equal to EUR 1.92 million (higher than the result as at 31 December 2020 by EUR 0.26 million). In addition, as at 31 December 2021, there was a gain of EUR 24,933 on foreign currency valuation/trading (a loss of EUR 33,758 recorded as at 31 December 2020).

### Focus on the global economic situation

In 2021, the global economy grew considerably, despite the persistence of the negative effects of the Covid-19 pandemic, even if profound inequalities were highlighted between the different geographical areas of the planet.

These differences were also partly exacerbated by the availability or shortage of vaccines and access to medical treatment against the infection.

The successive variants of the Virus have also complicated the framework of the economic recovery with distorting effects on growth, benefiting some sectors to the detriment of others and the more developed areas to the disadvantage of developing regions.

In fact, in the two-year period 2020/2021, the world experienced an unpredictable and unknown situation, which required extraordinary measures both from a social and economic point of view and forced the governments of the various countries to tackle these problems also through altogether innovative fiscal and monetary policy measures.

The economic recovery continued into 2021 also thanks to the economic incentives prepared by the political and monetary authorities, and was induced and supported by the accumulation of

demand after the long “lockdown” phase that characterised the initial phase of the pandemic and which had caused one of the deepest recessions in history.

The recovery also brought with it inflation, initially triggered by the shortage of raw materials and products (the so-called “supply chain”), i.e. the production chain which, after being jammed during the pandemic, in the phase of the subsequent restart, was unable to react promptly to the explosion in demand that remained unexpressed for many months.

Some sectors were less reactive in the restart phase; in particular the automotive, burdened by the difficulties in procuring materials and semi-finished products, such as microchips, essential for the construction of the complex control and driving assistance systems of today’s cars, or the entire catering and tourism sector, which failed to return to pre-pandemic levels.

An examination of the economic data for 2021 (source: IMF) shows that: global economic growth stood at +6.1%, a strong recovery compared to -3.1% in 2020. The most advanced economies grew by 5.2% compared to a fall of 4.5% recorded in 2020.

The United States recorded 5.7% growth compared to -3.4% in the previous year and the Eurozone, as a whole, grew by 5.3% against a decline of 6.3% in 2020.

As regards the countries of the Eurozone, France recorded a growth of 7.0%, Italy +6.6% and Spain +5.1% compared to the decline in the previous year, -8%, -8.9% and -10.8% respectively.

Germany grew by 2.8% but in 2020 the decline was 4.6%, more contained than the countries mentioned above.

Economic growth in emerging countries stood at 6.8%, with a significant recovery compared to -2.1% in 2020; the economic performance of China, which grew by 8.1% compared to +2.3% in the previous year, and India, which recorded growth of 8.9% in 2021 against a 7.3% decline in 2020, contributed substantially to this figure.

In the last part of the year, some central banks, confident of the solidity of the economic recovery launched, began to fear the effects of too sudden a rise in the prices of goods and services and began to act on the monetary tools that had previously allowed them to create abundant liquidity to support the real economy and the financial markets.

This entailed, for example, the reduction in bond buying by the Federal Reserve, already initiated in the last part of 2021 and which foreshadows the beginning of a restrictive monetary policy by the US monetary authority, already announced at the end of 2021 and actually started in the first part of 2022.



The analysis of the economic data also shows that the mediation margin (EUR 4.83 million) is not sufficient to cover operating costs (administrative costs and value adjustments on intangible and tangible fixed assets), totalling EUR 9.15 million, despite the latter dropping further in 2021 by EUR 116,740.

In the 2021 financial year, the **gross operating margin** was negative and equal to EUR -4.32 million (in 2020 it was negative and equal to EUR -0.80 million).

With regard to administrative costs, it should be noted that in 2021 a "project to rationalise operating costs" continued with a view to:

- reducing labour costs as a result of a three-year corporate agreement entered into with employees in 2019, with said agreement impacting some important aspects of collective labour agreements currently in force;
- adopting a budget which makes provision for a 25% reduction in other administrative costs compared to 2018.

The project generated a cost reduction of EUR -0.12 million also in 2021 compared to the previous year (-1.26%). The decrease regarded essentially other administrative costs (EUR 108,519). Comparing the figures with those of 2018, the reduction in operating costs implemented in 2021 amounts to EUR -2.88 million (-32.66%). These results prove the commitment and efforts by the Institute since 2019.

An analysis of the other components that contribute to the determination of the **net operating income** shows that, compared to 2020, risks and costs funds decreased significantly (EUR -3.88 million). The reason, however, lies in the extraordinary nature of the provision made in the previous year to the fund for investment losses, in relation to potential losses related to the shareholding in Banca Nazionale Sammarinese S.p.A..

The balance of **extraordinary operations**, amounting to EUR 5.94 million, essentially depends on the recording of higher extraordinary income due to the recovery, following the aforementioned sale at the nominal value of the shareholding in Banca Nazionale Sammarinese S.p.A., of the provisions made during the previous years to the fund for investment losses (EUR 5.77 million).

The **final net operating income** stood at a positive EUR 1.27 million.

As explained above, the Governing Council decided to allocate an amount equal to the net operating income to the fund for general financial risks. The financial year therefore ended with a break-even result.

Lastly, with regard to "Guarantees and Commitments", note that, while the guarantees issued remained unchanged, compared to 2020 commitments were recorded to disburse funds of EUR 10 million.

To gain further insights into operating performance, in addition to the view provided with respect to the assets and liabilities and annual accounts for the period, reference should be made to the Annual Report of the Central Bank to the Great and General Council, as under Article 4(2) of Law No. 96/2005, as amended from time to time.

### **Human Resources and Corporate Staff**

The number of personnel registered on the payroll increased compared to the previous year, due to three temporary hires to replace staff who were absent but had the right to retain their jobs, even though the average number of staff actually present decreased further.

At 31 December 2021, there were 95 employees on the payroll and the average number of those actually present was 80.88. The figures also take into account the staff assigned to the Financial Intelligence Agency, which had 14 employees as at 31 December 2021, with an average of those actually present of 12.19 staff members.

### Staff resources and personnel actually present

Unit to which the personnel belongs	Staff on the payroll	Personnel actually present on a yearly basis
Deputy Director and staff organisational units	33.00	27.53
Supervision Department - statutory function	25.00	21.57
Payment System Department - statutory function	5.00	4.82
Overdue Tax Collection Department - statutory function	10.00	8.18
Treasury Department - statutory function	6.00	4.59
Finance Department - relevant function	2.00	2.00
Financial Intelligence Agency	14.00	12.19
<b>Total employees</b>	<b>95.00</b>	<b>80.88</b>
Ongoing consultancies: Acting Deputy Director and External Inspector	-	2.00

The Directorate General, also for 2021, was composed of the Deputy Director acting Director General, Mr. Giuseppe Ucci, and the Deputy Director, Mr. Daniele Bernardi.

Similarly, the Management of the Financial Intelligence Agency continued to be composed of Mr. Nicola Muccioli, as Director, and Mr. Alessandro Sberlati, as Deputy Director.

The Supervision Committee, chaired by the Acting Deputy Director, is composed of Mr. Giuliano Battistini, by Mr. Marco Giulianelli and by Mr. Maurizio Pappalardo, as Internal Inspectors, as well as by Mr. Andrea Vivoli as External Inspector.

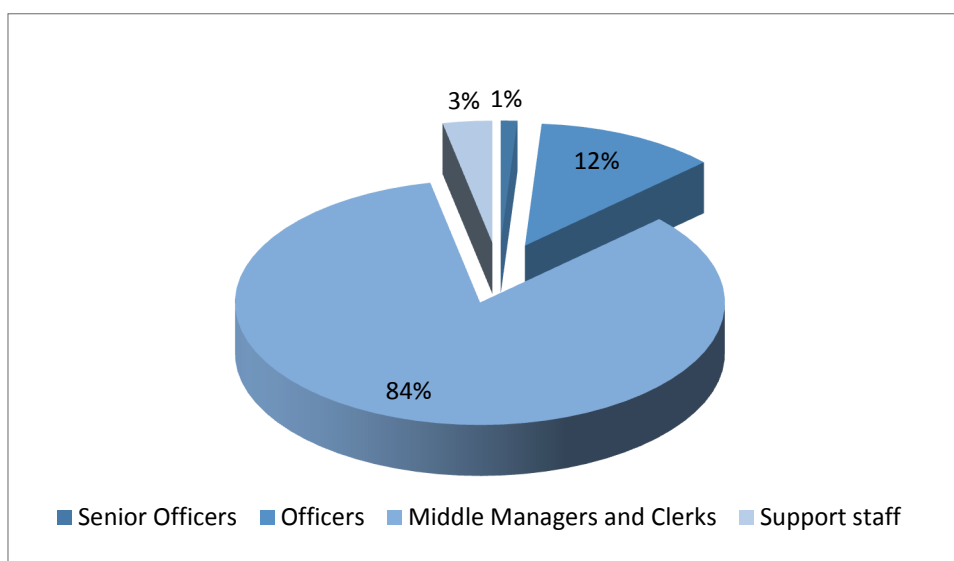
During the year, the organisational structure of the Supervision Department was modified in order to: strengthen the operational and methodological profile of the supervisory activity, improve the allocation and enhance the resources within the various Organisational Units, adjust the regulatory framework in line with international standards and accelerate the review of the supervisory reporting system, so as to improve the available database and automate supervisory reporting as far as possible.

On 1 August 2021, Mr. Andrea Vivoli was appointed Head of the Supervision Department.

With regard to the contractual categories, 1.05% of employees belong to the category of Senior Officers, 11.58% to that of Officers, 84.21% are Middle Managers and Clerks and 3.16% are Support Staff.



## Contractual categories



During the course of 2021, against the backdrop of the health emergency due to the spread of the COVID-19 virus, the Bank continued to preserve the full operation of all functions as well as the safety and health of employees through greater distancing and use of dedicated controls.

In order to reduce the risk of contagion, an attempt was also made to reduce the presence of personnel at the offices as much as possible and, as in the previous year, widespread use continued to be made of working from home. The Bank is also evaluating, once the health emergency is over, the application of agile work to employees as envisaged by Law No. 202/2020.

Training, carried out almost and exclusively *on-line*, increased considerably compared to the previous year, with an average of roughly 19 hours per employee. Various training initiatives concerned the application of privacy regulations for the correct use of personal data.

Since 2021, the Bank has launched an initiative, aimed at young San Marino graduates, which provides for the possibility of annually granting the opportunity to carry out six-month *internships*, pursuant to art. 12 of Law No. 71/2014. The initiative, with its high training content, is an opportunity for interested parties to get experience in the world of work.

Finally, it should be noted that 31 December 2021 saw the termination of the application of the Solidarity Agreement signed with employees, together with the Trade Unions and A.N.I.S., and new trade union negotiations got under way, aimed at continuing with the spending review process implemented in the last few years.

## Organisational chart

During 2021, the organisational chart underwent some changes with a minor formal impact but necessary to pursue the objectives of:

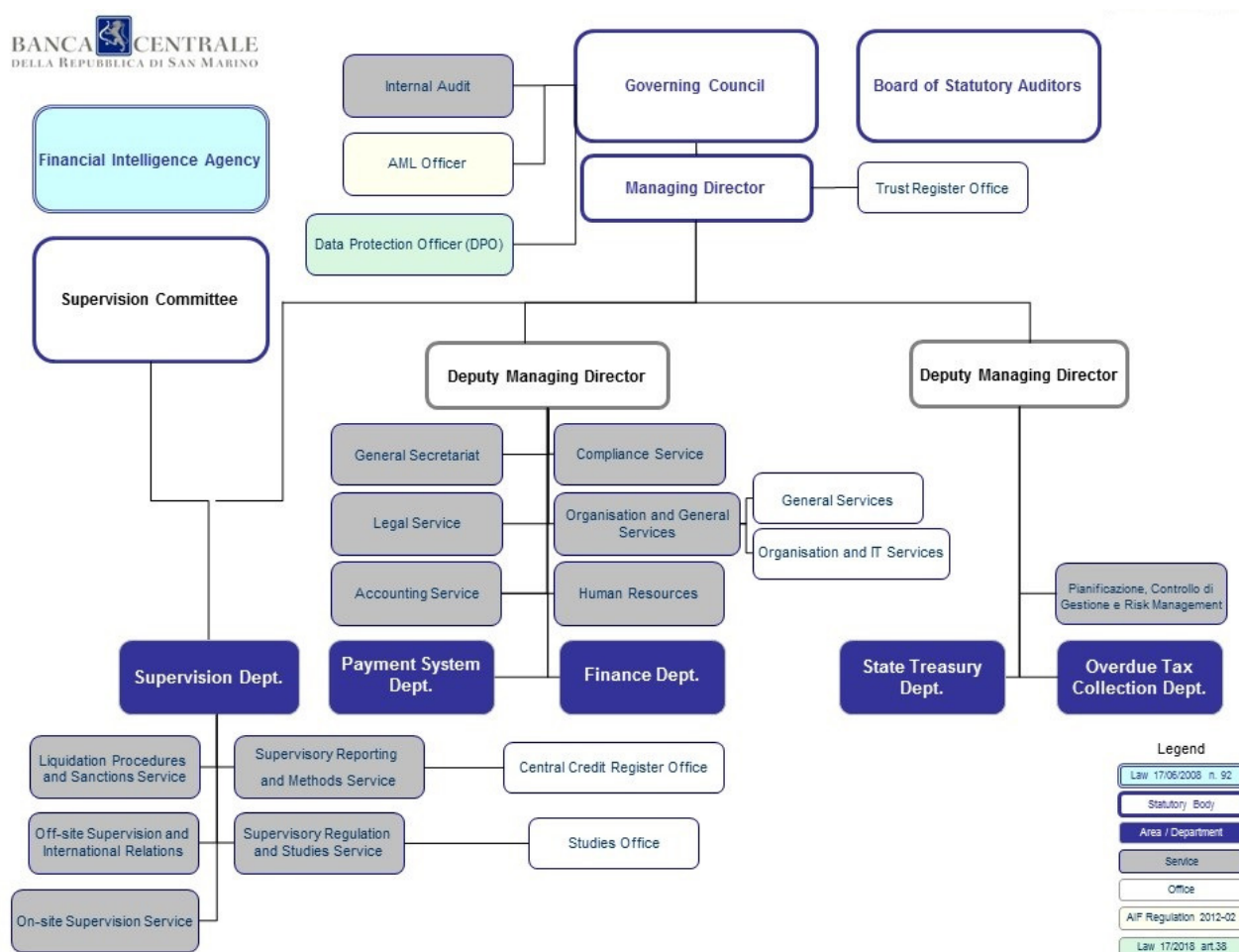
- strengthening the operational and methodological profile of the supervisory activity;
- improving the allocation and enhancing the resources within the various Organisational Units;
- adjusting the regulatory framework in line with international standards;
- accelerating the review of the supervisory reporting system, so as to improve the available database and automate, as far as possible, supervisory reporting, in line with the approved project plan.

The following initiatives were therefore implemented:

- the revision of the system of internal powers of the Supervision Department, with the assignment of responsibility to Mr. Andrea Vivoli, with effect from 1 August 2021, with the tasks of management, guidance and control of the activities of the various Services;
- with the aim of revising the mandate of the Intermediaries Supervision Service aimed at focusing its analysis and intervention activities on the supervised entities, the spin-off of the activities related to the liquidation and sanction procedures was defined; to that end, two separate Organisational Units were defined on 1 August 2021:
  - ❖ the Intermediaries and International Relations Supervision Service
  - ❖ the Settlement and Sanctions Service
- the creation of working groups, with personnel drawn from the Department Services, for the development of analysis models, under the coordination of the Chairman of the Supervision Committee;
- the use of Supervision staff also for performance of analysis activities.

## Organisational chart

(Updated as at 31/12/2021)



## Significant events which occurred after the closure of the financial year

As a result of some administrative disputes in which it was the losing party, the Bank made a number of provisions, as illustrated in the notes to the Annual Accounts in paragraph 18 of the Liabilities dedicated to risks and costs funds, and provided appropriate information on these disputes.

The Russian-Ukrainian conflict, which began in the early months of 2022, has had consequences on the markets. In the first four months of the year, the combined trend of a generalised rise in Euro interest rates on all maturities and the widening of credit spreads, led to significant capital losses on the securities in the owned bond portfolio.

## Business outlook

Also in 2022, as in 2021, the global health emergency stemming from the Covid-19 pandemic affected the Republic of San Marino. In this regard, regulatory interventions continued, which affected all areas of social and economic life and also the Bank. In fact, since last year the Bank has been making considerable organisational efforts to deal with the situation during the months of the emergency, ensuring business continuity, and comply with the new regulations laid down by law in order to safely manage the operational and restart phase.

Furthermore, it should be noted that the cost rationalisation started in 2019 is continuing. In fact, at the beginning of this year, the Bank approved a budget of administrative costs for the year 2022, with a view to pursuing this objective.

## Dear Shareholders,

Following the approval of the Annual Accounts, the net equity of the Central Bank will consist of the following items:

	EUR
Endowment Fund	12,911,425
Ordinary Reserve Fund	1,274,013
Statutory Reserve Fund	9,627,277
Fund for General Financial Risks	33,797,475
Other Equity Reserves	0
<b>Total Net Equity</b>	<b>57,610,190</b>

## Dear Shareholders,

The Governing Council's report on operations for financial year 2021 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 Annual Accounts 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, 6 May 2022



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## 2021 Annual Accounts





## Balance Sheet Assets

Assets items	2021		2020	
<b>10. CASH BALANCE AND FUNDS AVAILABLE AT CENTRAL BANKS AND POST OFFICES</b>		<b>21,704,725</b>		<b>15,819,246</b>
<b>20. TREASURY BONDS AND OTHER FINANCIAL INSTRUMENTS, ELIGIBLE FOR REFINANCING PURPOSES</b>		<b>0</b>		<b>0</b>
<b>AT CENTRAL BANKS</b>				
a) Treasury bonds and other similar financial instruments	0		0	
b) other financial instruments eligible for refinancing purposes at central banks	0		0	
<b>30. LOANS TO CREDIT INSTITUTIONS</b>		<b>372,400,162</b>		<b>354,156,582</b>
a) on demand	372,400,162		208,927,356	
b) other credits	0		145,229,226	
<b>40. LOANS TO CUSTOMERS</b>		<b>27,073,205</b>		<b>87,136,156</b>
a) on demand	292,644		229,182	
b) other credits	26,780,561		86,906,974	
<b>50. BONDS AND OTHER DEBT FINANCIAL INSTRUMENTS</b>		<b>408,621,050</b>		<b>266,420,654</b>
a) issued by public institutions	71,264,117		47,811,244	
b) issued by credit institutions	163,515,902		114,755,588	
c) issued by financial companies other than credit institutions	152,080,956		80,544,039	
d) issued by other institutions	21,760,075		23,309,783	
<b>60. SHARES, QUOTAS AND OTHER CAPITAL FINANCIAL INSTRUMENTS</b>		<b>6,055</b>		<b>5,705</b>
<b>70. SHAREHOLDINGS</b>		<b>0</b>		<b>19,000,000</b>
a) financial companies	0		19,000,000	
b) non-financial companies	0		0	
<b>80. SHAREHOLDINGS IN UNDERTAKINGS OF THE GROUP</b>		<b>0</b>		<b>0</b>
a) financial companies	0		0	



Assets items	2021		2020	
b) non-financial companies	0		0	
<b>90. INTANGIBLE FIXED ASSETS</b>		<b>237,441</b>		<b>215,185</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 recovery	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	237,441		215,185	
<b>100. TANGIBLE FIXED ASSETS</b>		<b>2,927,049</b>		<b>3,116,231</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 recovery	0		0	
- of which assets available for repayment of loan through a settlement agreement	0		0	
d) lands and buildings	2,839,086		3,028,231	
e) other tangible fixed assets	87,963		88,000	
<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 UNITS</b>		<b>0</b>		<b>0</b>
<b>130. OTHER ASSETS</b>		<b>3,808,202</b>		<b>3,390,961</b>
<b>140. ACCRUED REVENUES AND DEFERRED EXPENSES</b>		<b>122,759</b>		<b>114,524</b>
a) accrued revenues	0		0	
b) deferred expenses	122,759		114,524	

Assets items	2021	2020
<b>150. TOTAL ASSETS</b>	<b>836,900,767</b>	<b>749,375,244</b>

## Balance Sheet Liabilities

Liabilities items	2021	2020
<b>10. DEBTS WITH CREDIT INSTITUTIONS</b>	<b>560,981,062</b>	<b>424,505,315</b>
a) on demand	466,231,845	324,131,896
b) term or notice debts	94,749,217	100,373,419
<b>20. DEBTS WITH CUSTOMERS</b>	<b>211,529,797</b>	<b>256,741,004</b>
a) on demand	211,529,792	256,741,004
b) term or notice debts	0	0
<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>5,466,082</b>	<b>4,553,965</b>
- of which   cheques in circulation and other securities	287,485	274,907
<b>50. ACCRUED EXPENSES AND DEFERRED REVENUES</b>	<b>1,520</b>	<b>27,646</b>
a) accrued expenses	0	0
b) deferred revenues	1,520	27,646
<b>60. STAFF RETIREMENT ALLOWANCES</b>	<b>459,958</b>	<b>453,601</b>
<b>70. RISKS AND COSTS FUNDS</b>	<b>852,158</b>	<b>6,750,690</b>
a) retirement funds and similar provisions	0	0
b) tax fund	0	0
c) other funds	852,158	6,750,690
<b>80. FUND FOR CREDIT RISKS</b>	<b>0</b>	<b>0</b>
<b>90. FUND FOR GENERAL FINANCIAL RISKS</b>	<b>33,797,475</b>	<b>32,530,308</b>



Liabilities items	2021		2020	
<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 units	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>
<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>836,900,767</b>		<b>749,375,244</b>

## Guarantees and commitments

Items	2021	2020
<b>10. GUARANTEES ISSUED</b>		
- of which:	<b>2,104,748</b>	<b>2,104,748</b>
a) acceptances	0	0
b) other guarantees	2,104,748	2,104,748
<b>20. COMMITMENTS</b>		
- of which:	<b>10,000,000</b>	<b>0</b>
a) for certain use	0	0
- <i>of which:</i> financial instruments	0	0
b) for uncertain use	10,000,000	0
- <i>of which:</i> financial instruments	0	0
c) other commitments	0	0
<b>TOTAL</b>	<b>12,104,748</b>	<b>2,104,748</b>

## Profit and loss account

Items of the profit and loss account	2021	2020
<b>10. INTEREST RECEIVED AND OTHER PROCEEDS</b>	<b>-1,366,461</b>	<b>1,491,688</b>
a) on loans to credit institutions	-2,211,602	-317,569
b) on loans to customers	265,300	1,227,383
c) on debt securities	579,841	581,874
<b>20. INTEREST PAID AND OTHER COSTS</b>	<b>255,118</b>	<b>-15,767</b>
a) on debts with credit institutions	261,124	-2,542
b) on debts with customers	-6,006	-13,225
c) on debts represented by securities	0	0
-of which on subordinated debt	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>2,271,336</b>	<b>2,268,806</b>
<b>50. COMMISSIONS PAID</b>	<b>-192,185</b>	<b>-142,894</b>
<b>60. PROFITS (LOSSES) ON FINANCIAL TRANSACTIONS</b>	<b>935,387</b>	<b>2,413,361</b>
<b>70. OTHER OPERATING PROCEEDS</b>	<b>3,028,263</b>	<b>2,559,400</b>
<b>80. OTHER OPERATING COSTS</b>	<b>-102,716</b>	<b>-108,020</b>
<b>90. ADMINISTRATIVE COSTS</b>	<b>-8,815,779</b>	<b>-8,928,189</b>
a) labour costs	-6,136,163	-6,140,054
of which:		
- wages and salaries	-4,346,024	-4,309,049
- pension contributions	-1,153,244	-1,141,570
- staff retirement allowances	-450,267	-452,385
- severance and indemnity-related costs	0	0
- directors and statutory auditors	-182,500	-231,570
- other labour costs	-4,128	-5,480
b) other administrative costs	-2,679,616	-2,788,135
<b>100. VALUE ADJUSTMENTS ON INTANGIBLE FIXED ASSETS</b>	<b>-106,698</b>	<b>-100,506</b>
<b>110. VALUE ADJUSTMENTS ON TANGIBLE FIXED ASSETS</b>	<b>-225,006</b>	<b>-235,528</b>
<b>120. PROVISIONS FOR RISKS AND CHARGES</b>	<b>-342,250</b>	<b>-4,219,481</b>

Items of the profit and loss account	2021	2020
<b>130. PROVISIONS FOR LOAN LOSSES</b>	<b>0</b>	<b>0</b>
<b>140. VALUE ADJUSTMENTS ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS</b>	<b>-25,310</b>	<b>-30,270</b>
<b>150. VALUE RECOVERIES ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS</b>	<b>12,501</b>	<b>67,061</b>
<b>160. VALUE ADJUSTMENTS ON FINANCIAL FIXED ASSETS</b>	<b>0</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>-4,673,800</b>	<b>-4,980,339</b>
<b>190. EXTRAORDINARY PROCEEDS</b>	<b>5,988,098</b>	<b>25,444</b>
<b>200. EXTRAORDINARY COSTS</b>	<b>-47,131</b>	<b>-1,391</b>
<b>210. EXTRAORDINARY PROFIT (LOSS)</b>	<b>5,940,967</b>	<b>24,053</b>
<b>220. INCOME TAX FOR THE FINANCIAL YEAR</b>	<b>0</b>	<b>0</b>
<b>230. CHANGE IN THE FUND FOR GENERAL FINANCIAL RISKS</b>	<b>-1,267,167</b>	<b>4,956,286</b>
<b>240. OPERATING PROFIT (LOSS)</b>	<b>0</b>	<b>0</b>



## Reclassified profit and loss account

Items of the Reclassified profit and loss account	2021	2020
1 - Interest received and other proceeds	-1,366,461	1,491,688
2 - Interest paid and other costs	255,118	-15,767
<b>A - Interest margin</b>	<b>-1,111,343</b>	<b>1,475,921</b>
3 - Commissions earned	2,271,336	2,268,806
4 - Commissions paid	-192,185	-142,894
5 - Other operating proceeds	3,028,263	2,559,400
6 - Other operating costs	-102,716	-108,020
<b>B - Service revenues</b>	<b>5,004,698</b>	<b>4,577,292</b>
7 - Dividends and other proceeds	0	0
8 - Profits (losses) on financial transactions	935,387	2,413,361
<b>C- Mediation margin (A+B+7+8)</b>	<b>4,828,742</b>	<b>8,466,574</b>
9 - Administrative costs	-8,815,779	-8,928,189
10 - Value adjustments on intangible and tangible fixed assets	-331,704	-336,034
<b>D - Operating costs</b>	<b>-9,147,483</b>	<b>-9,264,223</b>
<b>E - Gross operating margin (C-D)</b>	<b>-4,318,741</b>	<b>-797,649</b>
11 - Provisions for risks and charges	-342,250	-4,219,481
12 - Provisions for loan losses	0	0
13 - Value adjustments on credits and provisions for guarantees and commitments	-25,310	-30,270
14 - Value recoveries on credits and provisions for guarantees and commitments	12,501	67,061
15 - Value adjustments on financial fixed assets	0	0
16 - Value adjustments and recoveries on financial fixed assets	0	0
<b>F - Net operating income</b>	<b>-355,059</b>	<b>-4,182,690</b>
17 - Extraordinary proceeds	5,988,098	25,444
18 - Extraordinary costs	-47,131	-1,391
<b>G - Gross operating margin of extraordinary operations</b>	<b>5,940,967</b>	<b>24,053</b>
<b>H. Gross margin</b>	<b>1,267,167</b>	<b>-4,956,286</b>
19 - Income taxes for the financial year	0	0
<b>I - Net result*</b>	<b>1,267,167</b>	<b>-4,956,286</b>
20 - Change in the fund for general financial risks	-1,267,167	4,956,286
<b>Operating results</b>	<b>0</b>	<b>0</b>

\* Gross of change in the fund for general financial risks



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## Notes to the Annual Accounts



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## Notes to the Annual Accounts

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### Structure and Contents of the Annual Accounts

#### 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 Annual Accounts

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The 2021 Annual Accounts has been prepared in accordance with the laws currently in force, in particular according to Law No. 96 dated 29 June 2005 (Central Bank Statute), Law No. 165 dated 17 November 2005 (Law on Companies and Banking, Financial and Insurance Services) and Law No. 47 dated 23 February 2006 (Company Law), as amended from time to time.

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

The Annual Accounts have been prepared in a clear manner, and truly and accurately represent the statement of assets and liabilities, the financial situation and the economic result for the financial year.

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 Annual Accounts 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 the Central Bank.

Furthermore, the Statement of Cash Flows (Part D - Other information) was attached to the Notes to the Annual Accounts.

In order to facilitate the analysis of the data, the figures of the preceding financial year are also included, reclassified, if necessary, for the purpose of ensuring the comparability of the data of the two financial years.

Some of the items in the Notes to the Annual Accounts have been represented according to their denomination in "Euro" and "foreign currencies"; all non-Euro currencies have been included in the latter category.

As regards the single items of the Annual Accounts, it should be noted that such items are stated in EUR units, obtained by rounding off the corresponding sum in decimals, that is by the sum of the rounded-off totals of sub-items.

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

It should also be noted that the Notes to the Annual Accounts do not include detailed tables when the item in question does not show accounting results in the two financial years of reference. Similarly, the sections relating to activities and/or cases that cannot be exercised and/or applied due to the above-mentioned unique characteristics have not been included (Tables not filled in): 2.1-3.3-3.4-4.4-4.5-6.1-6.3-6.5-6.6-6.7-8.3-8.4-9.1-10.1-15.1-16.2-18.3-18.5-19.2-19.4-19.6-19.7-20.3-20.5-20.8-20.9-20.10-21.2-21.4-21.5-23.1-24.3-28.3-28.7-28.8-31.1-32.1-32.2-33.1-35.1-35.2-36.1-36.2-36.3-36.4-37.1).



### • **Section 1 - Illustration of valuation criteria**

The 2021 Annual Report has been prepared in accordance with the general principles of prudence, accrual and going concern, giving preference, where possible, to substance over form, and to the time of settlement of transactions over that of negotiation.

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

These were shown at nominal value, which corresponds to their assumed realisable value.

#### CREDITS

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

Exception to the above include credits for the recovery of sundry charges, which were carried at their assumed realisable value, corresponding to their nominal value net of value adjustments made, with relative increase in provisions for bad loans, to the extent of the amount deemed as not recoverable.

#### BONDS AND OTHER DEBT FINANCIAL INSTRUMENTS

At 31 December 2021, the bank's debt financial instruments were divided into held for investment and held for trading.

The short-term securities portfolio includes instruments held for trading and for investment purposes, and also for treasury and trading purposes. These securities are valued at the market value recorded on the last working day of the financial year, provided by the appointed provider. These values were subject to an additional internal valuation, for prudential purposes, on the basis of prices obtained from leading counterparties. The difference between the book value of the single security and its market value is recognised in the profit and loss account under "Profits (losses) on financial transactions". This item also includes the value of interest accrued at the end of the financial year.

The long-term securities portfolio, established in 2021, by means of a specific resolution of the Governing Council, consists of the irredeemable security of public debt issued by the State of San Marino pursuant to Law Decree No. 133 of 19 July 2021. Said financial instrument is intended to be kept in the company equity for the purpose of stable investment and is valued at purchase cost. It is written down in the event of permanent deterioration of the issuer's situation as well as of the debt repayment capacity of the issuer's country of residence.

#### 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 at 31 December 2021 — 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 amortised based on amortisation plans with a maximum duration of 5 years and amortisation percentages consistent with the fiscal legislation (Law No. 166 dated 16 December 2013, as amended from time to time);
- Intangible fixed assets under construction, with reference to which no amortisation took place;
- Other multi-year costs.

Multi-year costs were recognised in the Annual Accounts upon the specific approval of the Board of Statutory Auditors.

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

## TANGIBLE FIXED ASSETS

They are accounted for at purchase cost, including any ancillary charges. No write-downs and/or revaluations of value were made during 2021.

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 / ACCRUED EXPENSES AND DEFERRED REVENUES

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 30 December 2021.

The aggregate amount of assets and liabilities in foreign currency totalled EUR 423,425 and EUR 628.

## DEBTS

These were carried at their nominal 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.

## RISKS AND COSTS FUNDS

They are set up to cover losses or debts whose existence is certain or likely, but whose amount or date of occurrence could not be determined at the end of the financial year. While evaluating these



funds, the general criteria of prudence and accrual have been respected and no generic risk provisions without economic justification have been set up. Contingent liabilities were recognised in the Annual Accounts and included in the funds as they were considered likely and the amount of the related charge was reasonably estimated.

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

#### FUND FOR GENERAL FINANCIAL RISKS

The fund is intended for covering general business risk and, therefore, has the nature of equity. The balance of any changes is recorded in a specific item of 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

Third-party financial instruments on deposit and proprietary instruments deposited with third parties are valued, where available, at year-end market prices. In other cases, they are valued at nominal or issue value and in others at a symbolic value.

- **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 funds available at central banks and post offices (item 10 of Assets)

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

	31/12/2021	31/12/2020	Changes	
Cash balance and funds available at central banks and post offices:			Amount	%
Cash and available funds	21,704,725	15,819,246	5,885,479	37.20%
<b>Total</b>	<b>21,704,725</b>	<b>15,819,246</b>	<b>5,885,479</b>	<b>37.20%</b>

The vault cash consisted of euro-denominated notes and coins totalling EUR 21,698,900, including cash available at the company used to discharge centralised cash management duties and cash on hand (EUR 87.29) maintained with the Single Court of San Marino for legal notification expenses. It also included foreign currencies for an equivalent of EUR 2,738.

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

**Table 2.1: Detailed breakdown of item 20 "Treasury bonds and other financial instruments eligible for refinancing purposes 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"**

	31/12/2021			31/12/2020			Change	
	In EUR	In foreign currency	Total	In EUR	In foreign currency	Total	Total amount	%
Loans to credit institutions:								
A) On demand:	371,989,451	410,711	372,400,162	208,634,848	292,508	208,927,356	163,472,806	78.24%
A1. Mutual accounts opened for services rendered	3,886,296	0	3,886,296	3,610,350	0	3,610,350	275,946	7.64%
A2. Current accounts with a credit balance	368,103,155	410,711	368,513,866	205,024,498	292,508	205,317,006	163,196,859	79.49%
A3. Others	0	0	0	0	0	0	0	0%
B) Other credits	0	0	0	145,229,226	0	145,229,226	145,229,226	100.00%
B1. Term deposits	0	0	0	145,229,226	0	145,229,226	145,229,226	-100.00%
B2. Current accounts with a credit balance	0	0	0	0	0	0	0	0%
B3. Repurchase agreements and repos	0	0	0	0	0	0	0	0%
B4. Others	0	0	0	0	0	0	0	0%
<b>Total</b>	<b>371,989,451</b>	<b>410,711</b>	<b>372,400,162</b>	<b>353,864,074</b>	<b>292,508</b>	<b>354,156,582</b>	<b>18,243,580</b>	<b>5.15%</b>

Loans to credit institutions as at 31 December 2021 registered an aggregate increase of 5.15% compared to 31 December 2020, resulting from the increase in on demand credits - current account with a credit balance of EUR 163.47 million and the decrease in term credits of EUR 145.23 million.

This change is essentially due to ordinary activities and treasury choices.

The Central Bank does not hold any shareholdings. Therefore, as at 31 December 2021 no credit positions existed with subsidiaries and associated companies or companies linked by a participating interest.

This item includes interest accrued and overdue at year end on demand loans to credit institutions, amounting to EUR -114,354 (recognition of negative interest received).

The credits described in this section are not subordinate.

**Table 3.2: Situation of cash loans to credit institutions**

Categories/Amounts	31/12/2021			31/12/2020		
	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. Overdue/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	372,400,162	0	372,400,162	354,156,582	0	354,156,582
<b>Total</b>	<b>372,400,162</b>	<b>0</b>	<b>372,400,162</b>	<b>354,156,582</b>	<b>0</b>	<b>354,156,582</b>

**Table 3.3: Trends in non-performing loans to credit institutions**

No "non-performing loans to credit institutions" were recognised either as at 31 December 2021 or 31 December 2020.

**Table 3.4: Trend in total value adjustments of "Loans to credit institutions"**

No "value adjustments of loans to credit institutions" were recognised either as at 31 December 2021 or 31 December 2020.

**Table 3.5: Breakdown of "Loans to credit institutions" based on residual life**

MATURITY	31/12/2021	31/12/2020
On demand	372,400,678	208,927,633
Within 3 months	0	145,229,226
After 3 to 6 months	-516	-277
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>372,400,162</b>	<b>354,156,582</b>
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As shown in table 3.5, as at 31 December 2021, loans to credit institutions broken down by residual life are mainly allocated to the on-demand range.

With reference to the negative value shown in the table within the three-to-six-month maturity range, it is represented by negative interest received, accrued in 2021.

In relation to the loans shown in this section, it should be noted that the remuneration received in the majority of positions was settled at a floating rate.

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

**Table 4.1: Detailed breakdown of item 40 "Loans to customers"**

	31/12/2021			31/12/2020			Changes	
	In EUR	In foreign currency	Total	In EUR	In foreign currency	Total	Total amount	%
A) On demand/until revoked:	292,644	0	292,644	229,182	0	229,182	63,462	27.69%
A1. Current accounts with a credit balance	292,644	0	292,644	229,182	0	229,182	63,462	27.69%
A2. Others	0	0	0	0	0	0	0	0%
B) Other credits:	26,780,561	0	26,780,561	86,906,974	0	86,906,974	-60,126,413	-69.18%
B1. Current accounts with a credit balance	22,500,000	0	22,500,000	82,781,274	0	82,781,274	-60,281,274	-72.82%
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	4,280,561	0	4,280,561	4,125,700	0	4,125,700	-154,861	3.75%
<b>Total</b>	<b>27,073,205</b>	<b>0</b>	<b>27,073,205</b>	<b>87,136,156</b>	<b>0</b>	<b>87,136,156</b>	<b>-60,062,951</b>	<b>-68.93%</b>

"Loans to customers" mainly include credit positions with the Public Administration and, to a lesser extent, loans to employees of the Central Bank itself. In particular, the sub-item "Other credits - current accounts with a credit balance" includes a loan to the Chamber of Commerce for EUR 60 million, taken out in December 2012, with repayment starting from 30 November 2014 and expiring on 31 May 2020. On 26 November 2014, the maturity of said loan at 30 June 2026 was extended, and consequently the repayment instalments were halved to EUR 2.5 million, whereas the first instalment was cashed on 31 December 2014. At 31 December 2021, the residual credit is equal to EUR 22.5 million.

Compared to the previous year, this sub-item decreased by EUR 60.28 million, essentially due to the repayment of two loans by the Chamber of Commerce: one of EUR 25 million taken out in December 2017 (increased to EUR 35 million in February 2018); one of EUR 20 million on December 2018.



The sub-item "Other credits - other loans" includes the residual credit of EUR 2.13 million referring to an unsecured loan in which the Central Bank took over as creditor of the Chamber of Commerce and the loans disbursed to the employees of the CBSM equal to EUR 2.15 million. At 31 December 2021, the item in question recorded a total increase of EUR 154,861, essentially attributable to the increase in loans disbursed to employees, partially eroded by the decrease in unsecured mortgages.

In relation to the latter, the Bank received mortgage guarantees from its employees amounting to EUR 4,389,517 and sureties amounting to EUR 269,048, as shown in table 4.2 below.

"Interest to be debited to customers", accrued and overdue at year end, totalling EUR 618, was held under "On demand credits - current accounts with a credit balance".

The Central Bank did not hold any shareholdings in corporate customers. Therefore, as at 31 December 2021 no credit positions were maintained 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.

The credits described in this section are not subordinate.

**Table 4.2: Secured loans to customers**

	31/12/2021	31/12/2020	Changes	
			Amount	%
A) From mortgages	2,147,361	1,459,200	688,161	47.16%
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 undertakings	0	0	0	0%
6. Pension funds	0	0	0	0%
7. Non-financial companies	0	0	0	0%
8. 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>2,147,361</b>	<b>1,459,200</b>	<b>688,161</b>	<b>47.16%</b>

Details refer to mortgages granted to employees. They are sometimes extended against collaterals 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 availability obligations applied on current accounts with reference to loans disbursed.

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

Categories/Amounts	31/12/2021			31/12/2020		
	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. Overdue/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	27,073,205	0	27,073,205	87,136,156	0	87,136,156
<b>Total</b>	<b>27,073,205</b>	<b>0</b>	<b>27,073,205</b>	<b>87,136,156</b>	<b>0</b>	<b>87,136,156</b>

**Table 4.4: Trend in non-performing loans to customers**

No "non-performing loans to customers" were accounted for either as at 31 December 2021 or 31 December 2020.

**Table 4.5: Trend in total value adjustments of "Loans to customers"**

No value adjustments of loans to customers were recognised either as at 31 December 2021 or 31 December 2020.

**Table 4.6: Breakdown of "Loans to customers" based on residual life**

MATURITY	31/12/2021	31/12/2020
On demand	292,644	510,456
Within 3 months	40,214	55,029,336
After 3 to 6 months	2,540,252	2,529,363
After 6 to 12 months	3,113,917	3,092,109
After 12 to 18 months	2,580,769	2,558,919
After 18 to 24 months	3,114,220	3,092,330
After 2 to 5 years	14,047,011	16,956,412
Over 5 years	1,344,178	3,367,231



Without maturity	0	0
<b>Total</b>	<b>27,073,205</b>	<b>87,136,156</b>

These loans are paid at a floating rate. It should be noted that the loan to the Chamber of Commerce with a residual value of EUR 22.5 million has been indicated, for the purposes of the aforementioned allocation, on the basis of the repayment plan (capital portion) agreed with the counterparty, although it is contractually a credit line. This allocation takes into account the new plan agreed on 26 November 2014 and described above.

**Table 4.7: Breakdown of "Loans to customers" (net amounts) by business sector**

	<b>31/12/2021</b>	<b>31/12/2020</b>
a) Public Administrations	24,633,200	85,447,554
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 undertakings	0	0
- Pension funds	0	0
c) Non-financial companies	0	0
- 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	2,440,005	1,688,602
- Consumer and producer households	2,440,005	1,688,602
- Not-for-profit institutions servicing households	0	0
e) Others	0	0
<b>Total</b>	<b>27,073,205</b>	<b>87,136,156</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**

<b>31/12/2021</b>		
<b>Items/Amounts</b>	<b>Held for investment</b>	<b>Held for trading</b>
<b>Bonds and other debt financial instruments:</b>	<b>19,004,790</b>	<b>389,616,260</b>
- of which bonds and other subordinated debt instruments:	0	0
- of which bonds and other debt financial instruments maturing in 2022;	0	62,461,751
a) issued by public institutions	19,004,790	52,259,327
b) issued by credit institutions	0	163,515,902
c) issued by financial companies other than credit institutions	0	152,080,956
d) issued by other institutions	0	21,760,075



<b>Shares, quotas and other capital financial instruments:</b>	<b>0</b>	<b>6,055</b>
a) shares	0	6,055
<b>Total</b>	<b>19,004,790</b>	<b>389,622,315</b>
- of which unavailable for reverse repurchase agreements;	0	0

At 31 December 2021, the securities portfolio is mainly composed of financial instruments held for trading for EUR 389.6 million and, to a small extent, of financial instruments held for investment of public issuers for EUR 19 million. The item in question also includes accruals for interest accrued at the date of EUR 250,146.

**Table 5.2: Breakdown of "Financial instruments held for investment"**

Items/Amounts	31/12/2021			31/12/2020		
	Purchase price	Balance-sheet value	Fair value	Purchase price	Balance-sheet value	Fair value
1. Debt financial instruments	19,000,000	19,004,790	n.a.	0	0	0
1.1 Bonds	19,000,000	19,004,790	n.a.	0	0	0
- listed	0	0	0	0	0	0
- unlisted	19,000,000	19,004,790	n.a.	0	0	0
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>19,000,000</b>	<b>19,004,790</b>	<b>n.a.</b>	<b>0</b>	<b>0</b>	<b>0</b>

The financial instruments held for investment include the issue of the irredeemable security of the public debt to pay the value of the sale, on 30 June 2021, of the shareholding in BNS to the Chamber of Commerce, envisaged by Law Decree No. 133 dated 19 July 2021 (which ratified the Law Decree of 25 June 2021).

In relation to the indication of the fair value, it was indicated as Not Available. The unique characteristics of the irredeemable security, with the possibility of the issuer to replace it with redeemable securities or to redeem it, even partially, with thirty working days' notice, reserved solely to the Central Bank, representing the public debt of the Republic of San Marino, a small State with characteristics that make any parallel analyses with government issues of other countries difficult and unreliable, lead us to believe that the fair value of said security cannot be determined.

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

	31/12/2021	31/12/2020
Opening balances	0	0
<b>Increases:</b>	<b>19,004,790</b>	<b>0</b>
1. Purchases	19,000,000	0
- of which: debt financial instruments	19,000,000	0
2. Value recoveries	0	0
3. Transfer from the trading portfolio	0	0
4. Other changes	4,790	0
<b>Decreases:</b>	<b>0</b>	<b>0</b>
1. Sales	0	0



- of which: debt financial instruments	0	0
2. Redemptions	0	0
3. Value adjustments	0	0
- of which: lasting devaluations	0	0
4. Transfer to the trading portfolio	0	0
5. Other changes	0	0
<b>Final balances</b>	<b>19,004,790</b>	<b>0</b>

**Item: Increases - Purchases**

It refers to the acquisition of the irredeemable security of the public debt pursuant to Law Decree No. 133 of 19 July 2021.

**Item: Increases - Other changes**

It refers to accrued income as at 31 December 2021 for interest on securities.

**Table 5.4: Breakdown of "Financial instruments held for trading"**

	<b>31/12/2021</b>	<b>31/12/2020</b>
<b>Items/Amounts</b>	<b>Fair value</b>	<b>Fair value</b>
1. Debt financial instruments	389,616,260	266,420,654
1.1 Bonds	389,616,260	266,420,654
- listed	0	0
- unlisted	389,616,260	266,420,654
1.2 Other debt financial instruments	0	0
- listed	0	0
- unlisted	0	0
2. Capital financial instruments	6,055	5,705
- listed	0	0
- unlisted	6,055	5,705
<b>Total</b>	<b>389,622,315</b>	<b>266,426,359</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.

The table shows that, compared to the previous year, the trading portfolio recorded an increase essentially due to choices of allocation of available liquidity.

The item "Capital financial instruments (unlisted)" includes only the value of one share of the company Swift SCRL, gross of the recorded gain from valuation of EUR 350. The above-mentioned balance sheet value was determined on the basis of the value, as at 31 December 2021, communicated by the issuing company.



**Table 5.5: Annual changes in "Financial instruments held for trading"**

	31/12/2021	31/12/2020
<b>Opening balances</b>	<b>266,426,359</b>	<b>300,703,062</b>
<b>Increases:</b>	<b>1,099,418,085</b>	<b>475,576,626</b>
1. Purchases	1,096,262,280	472,602,002
- of which: debt financial instruments	1,096,262,280	472,602,002
- of which: capital financial instruments	0	0
2. Value recoveries and revaluations	583,446	991,595
3. Transfer from the investment portfolio	0	0
4. Other changes	2,572,359	1,983,029
<b>Decreases:</b>	<b>976,222,129</b>	<b>509,853,329</b>
1. Sales and refunds	973,842,628	509,384,774
- of which: debt financial instruments	973,842,628	509,384,774
- of which: capital financial instruments	0	0
2. Value adjustments and devaluations	1,589,830	201,083
3. Transfer to the investment portfolio	0	0
4. Other changes	789,671	267,472
<b>Final balances</b>	<b>389,622,315</b>	<b>266,426,359</b>

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

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**Item: Increases - Purchases**


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It includes:

- Issue discounts due on the trading date on unlisted fixed income securities, totalling EUR 838,202.

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


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This refers 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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It includes:

- Trading gains totalling EUR 2,327,003;

- Accrued revenues as at 31 December 2021 on interest on securities, totalling EUR 245,356.

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**Item: Decreases - Sales and refunds**


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It includes:

- Issue discounts accrued at the trading/redemption date on unlisted fixed income securities, totalling EUR 599,795.

---

**Item: Decreases - Value adjustments**


---

It refers to capital losses calculated in application of the valuation principle shown in Part A.

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**Item: Decreases - Other changes**


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It includes:

- Accrued revenues as at 31 December 2020 for interest on securities, totalling EUR 165,994;

- A loss from trading of securities of EUR 410,225;

- Issue discounts, pertaining to 2021, on unlisted fixed income securities, totalling EUR 213,453.

---

The Central Bank does not hold any shareholdings. Therefore, as at 31 December 2021 no financial instruments were in place issued by subsidiaries and associated companies or companies linked by a participating interest.

## Breakdown of "Debt financial instruments held for trading" based on the residual life

Residual duration of bonds	31/12/2021		31/12/2020	
	Fixed rate	Floating rate	Fixed rate	Floating rate
On demand	0	0	0	0
Within 3 months	13,064,360	5,503,010	2,003,129	5,701,549
After 3 to 6 months	3,007,537	20,251,997	0	21,431,688
After 6 to 12 months	10,663,721	9,971,125	49,387	13,063,904
After 12 to 18 months	0	28,074,426	17,613,000	40,031,420
After 18 to 24 months	1,499,760	2,967,820	9,279,471	19,722,092
After 2 to 5 years	135,807,158	105,064,300	24,975,770	94,275,931
Over 5 years	6,560,264	47,180,782	8,301,450	9,971,863
Without maturity	0	0	0	0
<b>Total</b>	<b>170,602,800</b>	<b>219,013,460</b>	<b>62,222,207</b>	<b>204,198,447</b>

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

**Table 6.1: Shareholdings and Shareholdings in group companies**

There are no "Shareholdings in group companies" as at 31 December 2021.

At 31 December 2020, there was a 100% shareholding in Banca Nazionale Sammarinese S.p.A. for EUR 19,000,000, now S.G.A. Società di Gestione degli Attivi, formerly BNS S.p.A. with sole shareholder. Pursuant to Law Decree No. 133 of 19 July 2021 (which ratified Law Decree No. 118 of 25 June 2021) said shareholding was sold on 30/06/2021 to the Chamber of Commerce for the nominal value of EUR 19,000,000. The sale made it possible to close the "Fund for investment losses" allocated in previous years as extraordinary income, without making any use. This recovery resulted in a contingent asset of EUR 5,770,081.

The sale, again pursuant to the aforementioned Decrees, was paid with the issue, reserved to the Central Bank, of irredeemable securities of the public debt, which took place on 30 September 2021, for EUR 19,000,000. With regard to these securities, please refer to the specific part of the Notes concerning "Financial instruments held for investment".



**Table 6.2: Breakdown of item 70 "Shareholdings"**

Items/Amounts	31/12/2021			31/12/2020		
	Purchase price	Balance-sheet value	Fair value	Purchase price	Balance-sheet value	Fair value
In credit institutions	0	0	0	19,000,000	19,000,000	13,229,919
- listed	0	0	0	0	0	0
- unlisted	0	0	0	19,000,000	19,000,000	13,229,919
In other financial companies	0	0	0	0	0	0
- listed	0	0	0	0	0	0
- unlisted	0	0	0	0	0	0
Others	0	0	0	0	0	0
- listed	0	0	0	0	0	0
- unlisted	0	0	0	0	0	0
<b>TOTAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19,000,000</b>	<b>19,000,000</b>	<b>13,229,919</b>

**Table 6.3: Breakdown of item 80 "Shareholdings in group companies"**

No "Shareholdings in group companies" were shown either as at 31 December 2021 or 31 December 2020.

**Table 6.4: Annual changes in item 70 "Shareholdings"**

	31/12/2021
<b>A) Opening balances</b>	19,000,000
<b>B) Increases</b>	0
B.1 Purchases	0
B.2 Value recoveries	0
B.3 Revaluations	0
B.4 Other changes	0
<b>C) Decreases</b>	19,000,000
C.1 Sales	19,000,000
C.2 Value adjustments	0
- of which: lasting devaluations	0
C.3 Other changes	0
<b>D) Closing balance</b>	0
<b>E) Total revaluations</b>	0
<b>F) Total adjustments</b>	0

**Table 6.5: Annual changes in item 80 "Shareholdings in group companies"**

No "Shareholdings in group companies" were shown either as at 31 December 2021 or 31 December 2020.

**Table 6.6: Assets and liabilities involving controlled companies (item 70)**

There were no shareholdings as at 31 December 2021.

**Table 6.7 Assets and liabilities involving controlled companies belonging to the group (item 80)**

No "Shareholdings in group companies" were shown either as at 31 December 2021 or 31 December 2020.

**7 Intangible fixed assets (item 90 of Assets)****Table 7.1: Description of and movements in item 90 "Intangible fixed assets"**

Annual changes	31/12/2021	Financial leasing	Assets pending financial leasing for termination of leasing agreement	Assets available resulting from debt recovery	Goodwill	Start-up expenses	Other intangible fixed assets
<b>A. Opening balances</b>	<b>215,185</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>215,185</b>
<b>B. Increases</b>	<b>134,414</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>134,414</b>
B1. Purchases	134,414	0	0	0	0	0	134,414
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	0	0	0	0	0	0	0
<b>C. Decreases</b>	<b>106,698</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>106,698</b>
C1. Sales	0	0	0	0	0	0	0
C2. Value adjustments:	106,698	0	0	0	0	0	106,698
- of which amortisation	106,698	0	0	0	0	0	106,698
- of which lasting devaluations	0	0	0	0	0	0	0
- of which for creditworthiness	0	0	0	0	0	0	0
C3. Other decreases	5,460	0	0	0	0	0	5,460
<b>D. Final balances</b>	<b>237,441</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>237,441</b>



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

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**Item B.1: Purchases**

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It refers to costs for the purchase of software programs.

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**Item C.2: Value adjustments**

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It refers to annual amortisation to the extent of EUR 106,698.

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**Item C.3: Other decreases**

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This item refers for EUR 5,460 to the transfer of assets in progress and advances to software programs

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**Table 7.2: Breakdown of item 90 "Intangible fixed assets"**

Items/Amounts	31/12/2021			31/12/2020		
	Purchase price/Production cost	Balance -sheet value	Fair value*	Purchase price/Production cost	Balance -sheet value	Fair value*
A. Financial leasing - of which assets under construction	0 0	0 0	0 0	0 0	0 0	0 0
B. Assets pending financial leasing for termination of leasing agreement - of which for breach of the lessee	0 0	0 0	0 0	0 0	0 0	0 0
C. Assets available resulting from debt recovery - of which assets available for repayment of loan through a settlement agreement	0 0	0 0	0 0	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	613,290	237,441	==	588,045	215,185	==
<b>Total</b>	<b>613,290</b>	<b>237,441</b>	<b>==</b>	<b>588,045</b>	<b>215,185</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.

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

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

Annual changes	31/12/2021	Financial leasing	Assets pending financial leasing for termination of leasing agreement	Assets available resulting from debt recovery	Lands and buildings	Other tangible fixed assets
<b>A. Opening balances</b>	<b>3,116,231</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,028,231</b>	<b>88,000</b>
<b>B. Increases</b>	<b>35,824</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>35,824</b>
B1. Purchases	35,824	0	0	0	0	35,824
B2. Value recoveries:	0	0	0	0	0	0
- of which for creditworthiness	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>225,006</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>189,145</b>	<b>35,861</b>
C1. Sales	0	0	0	0	0	0
C2. Value adjustments:	225,006	0	0	0	189,145	35,861
- of which depreciation	225,006	0	0	0	189,145	35,861
- of which lasting devaluations	0	0	0	0	0	0
- of which for creditworthiness	0	0	0	0	0	0
C3. Other changes	0	0	0	0	0	0
<b>D. Final balances</b>	<b>2,927,049</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,839,086</b>	<b>87,963</b>

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

### **Item B.1: Purchases**

This item includes costs for the purchase of:

- electronic equipment totalling EUR 11,281;
- furniture and furnishings totalling EUR 890;
- miscellaneous equipment for EUR 11,252;
- Systems and fittings totalling EUR 12,401.



**Table 8.2: Breakdown of item 100 "Tangible fixed assets"**

	31/12/2021			31/12/2020		
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 recovery	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	2,839,086	==	6,304,853	3,028,231	==
E. Other tangible fixed assets	751,459	87,963	==	715,634	88,000	==
<b>Total</b>	<b>7,056,312</b>	<b>2,927,049</b>	<b>==</b>	<b>7,020,487</b>	<b>3,116,231</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 December 2021 or 31 December 2020.

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

No own shares were reflected either as at 31 December 2021 or 31 December 2020.



## 11 Other assets (item 130 of Assets)

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

	31/12/2021	31/12/2020
<b>Other assets:</b>		
Security margins	0	0
Premiums paid for options	0	0
Others	3,808,321	3,390,961
<b>Total</b>	<b>3,808,321</b>	<b>3,390,961</b>

"Other assets" include:

1. The credits for the recovery of sums levied from supervised parties for 2021, equal to EUR 2.51 million, which supervised parties are obliged to pay back to the Central Bank by 31 May 2022 (roughly EUR 2.07 million in 2020);
2. Receivables for the recovery of sums levied from supervised parties and other recoveries which are still unpaid.

These amounts receivable, having a nominal value of EUR 275,775 (in 2020 they stood at EUR 200,192), were deemed non recoverable, were fully written down, as was the case in the previous year.

Adjustments were made to amounts receivable for the recovery of sums levied from supervised parties in financial year 2021 (with payment due in May 2022) relating to entities already holding unpaid loans (nominal value EUR 25,310).

Ensuing value adjustments made in financial year 2021 stood at EUR 25,310, value recoveries came to EUR 12,501, while overall write-downs totalled EUR 242,396 (said write-down came to EUR 230,295 in 2020);

Write-offs of receivables due to cancellation of debtor companies amount to EUR 708.

3. Receivables, amounting to EUR 142,751, relating to the recovery of costs incurred in 2021 in relation to the maintenance of the Central Credit Register (Circular No. 2015-02). In 2020, they amounted to EUR 141,582.
4. Entries to be settled in relation to the pre-authorised collection procedure, totalling EUR 0.34 million (EUR 0.75 million as at 31 December 2020).

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

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

	31/12/2021	31/12/2020
Accrued revenues	0	0
Deferred expenses:	122,759	114,524
- sundry deferred expenses	84,575	79,306
- long-term deferred expenses	38,184	35,218
<b>Total</b>	<b>122,759</b>	<b>114,524</b>

Both sundry and long-term deferred expenses mainly relate to prepaid fees for rents paid and services (e.g. software maintenance, database services).



# Liabilities

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

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

	31/12/2021			31/12/2020			Changes	
	In EUR	In foreign currency	Total	In EUR	In foreign currency	Total	Total amount	%
A) On demand:	466,231,845	0	466,231,845	324,131,896	0	324,131,896	142,099,949	43.84%
A1 Mutual accounts opened for services rendered	0	0	0	0	0	0	0	0%
A2. Demand deposits	466,231,845	0	466,231,845	324,131,896	0	324,131,896	142,099,949	43.84%
A3. Others				0	0	0		
B) Term or notice debts	94,749,217	0	94,749,217	100,373,419	0	100,373,419	-5,624,202	-5.60%
B1. Current accounts with a debit balance	94,749,217	0	94,749,217	100,373,419	0	100,373,419	-5,624,202	-5.60%
B2. Term deposits	0	0	0	0	0	0	0	0%
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>560,981,062</b>	<b>0</b>	<b>560,981,062</b>	<b>424,505,315</b>	<b>0</b>	<b>424,505,315</b>	<b>136,475,747</b>	<b>32.15%</b>

In 2021, the item "On demand" debts with credit institutions includes debts for interest paid of EUR -97,559.

"Term or notice debts - current accounts with a debit balance" include the amount of the reserve requirement of Article 142 of Law No. 165/2005 established by the banks and related to the maintenance period spanning 15 December 2021 - 14 January 2022, hence highlighting the technical nature of such accounts.

Debts with credit institutions recorded an overall increase of 32.15% compared to the previous year, essentially attributable to current accounts on demand (+43.9%).

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

MATURITY	31/12/2021	31/12/2020
On demand	466,231,845	324,131,896
Within 3 months	0	0
After 3 to 6 months	0	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	94,749,217	100,373,419
	<b>560,981,062</b>	<b>424,505,315</b>



It should be underlined that debts with credit institutions, broken down by residual life, represented by deposits opened for the purposes of the reserve requirement of Article 142 of Law No. 165/2005 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. Starting from March 2021, a negative rate of return is applied to the "On demand" category of debts with credit institutions.

The Central Bank does not hold any shareholdings. Therefore, as at 31 December 2021 no debt positions existed with subsidiaries and associated companies or companies linked by a participating interest.

#### 14 Debts with customers (item 20 of Liabilities)

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

Debts with customers	31/12/2021			31/12/2020			Changes	
	In EUR	In foreign currency	Total	In EUR	In foreign currency	Total	Total amount	%
A) On demand:	211,529,172	625	211,529,797	256,740,428	576	256,741,004	-45,211,207	-17.61%
A1. Current accounts with a debit balance	211,529,172	625	211,529,797	256,740,428	576	256,741,004	-45,211,207	-17.61%
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:	0	0	0	0	0	0	0	0
B1. Time overdrawn c/accounts	0	0	0	0	0	0	0	0
B2. Term savings deposits	0	0	0	0	0	0	0	0
B3. Repurchase agreements and reverse repos	0	0	0	0	0	0	0	0
B4. Other funds	0	0	0	0	0	0	0	0
<b>Total</b>	<b>211,529,172</b>	<b>625</b>	<b>211,529,797</b>	<b>256,740,428</b>	<b>576</b>	<b>256,741,004</b>	<b>-45,211,207</b>	<b>-17.61%</b>

In 2021, the interest paid to customers, accrued as at the end of the financial year, amounting to EUR 1,608, is included in the "On demand - current accounts with a debit balance" item.

With reference to the breakdown of the item, it should be noted that "On demand" debts mainly consist of deposits from the Broader Public Administration and include, inter alia, the liquidity of the Guarantee Fund for Depositors fully deposited in the current account held with the Central Bank, in the item "On demand - current accounts with a debit balance".

These debts are paid at a floating rate.

The table shows that debts with customers decreased by EUR 45.2 million.



**Table 14.2: Breakdown of “Debts with customers” based on residual life**

<b>MATURITY</b>	<b>31/12/2021</b>	<b>31/12/2020</b>
On demand	211,529,797	256,741,004
Within 3 months	0	0
After 3 to 6 months	0	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>211,529,797</b>	<b>256,741,004</b>

The Central Bank does not hold any shareholdings in corporate customers. Therefore, as at 31 December 2021 no debt positions existed with 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 December 2021 or 31 December 2020.

## 16 Other liabilities (item 40 of Liabilities)

**Table 16.1: Breakdown of item 40 “Other liabilities”**

	<b>31/12/2021</b>	<b>31/12/2020</b>
Other liabilities:		
Security margins	0	0
Premiums received on options	0	0
Cheques in circulation and kindred papers	287,485	274,907
Others	5,178,597	4,279,058
<b>Total</b>	<b>5,466,082</b>	<b>4,553,965</b>

As shown in the table above, the item “Other liabilities” includes cheques in circulation of EUR 287,485 corresponding to quittance and drawer’s cheques issued within the context of the State Treasury Service. The sub-item “Other” includes the following liabilities:

1. Sums available to third parties pertaining to Treasury Service receipts that, due to the time required to process them, were yet to be credited to their relevant current accounts to the extent of approximately EUR 1.66 million, and transactions to be settled in relation to the pre-authorised collection procedure amounting to EUR 338,125 (as at 31 December 2020, they stood at approximately EUR 1.31 million and EUR 750,398, respectively);

2. Tax demands notified by the Overdue Tax Collection Service, with payment being already collected and waiting to be transferred to the relevant entities, totalling EUR 1.08 million, and other suspended items relating to the aforesaid Overdue Tax Collection Service, totalling EUR 137,615 (as at 31 December 2020, they stood at EUR 962,049 and EUR 180,028, respectively);
3. Debts for supplies and services amount to EUR 986 thousand (EUR 315 thousand in 2020);
4. Existing debts related to labour costs, falling in the region of EUR 0.8 million (as at 31 December 2020, they stood at EUR 0.6 million approximately), including emoluments, social security and tax costs (including amounts related to the calculation of untaken holiday entitlement as at 31 December 2021) yet to be paid.

#### Breakdown of "Other liabilities" based on the residual life

MATURITY	31/12/2021	31/12/2020
On demand	87,806	82,829
Within 3 months	5,047,535	4,180,021
After 3 to 6 months	59,662	37,995
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	271,079	253,120
<b>Total</b>	<b>5,466,082</b>	<b>4,553,965</b>

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

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

	31/12/2021	31/12/2020
Accrued expenses	0	0
Deferred revenues:	1,520	27,646
long-term deferred revenues	1,520	27,646
<b>Total</b>	<b>1,520</b>	<b>27,646</b>

As at 31 December 2021, the value of long-term deferred revenues relates to the recovery of charges, already financially collected, related to the installation phase of the Central Credit Register.



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

	31/12/2021	31/12/2020
<b>Opening balances</b>	<b>453,601</b>	<b>505,170</b>
<b>Increases</b>	<b>452,987</b>	<b>443,945</b>
- provisions	452,987	443,945
- other changes	0	0
<b>Decreases</b>	<b>446,630</b>	<b>495,514</b>
- withdrawals	446,630	495,514
- other changes	0	0
<b>Closing balance</b>	<b>459,958</b>	<b>453,601</b>

This item accounts for the indemnity in lieu of staff retirement allowances accrued during 2021 ("provisions") and the sum of staff retirement allowances relating to holiday leave remaining from previous years.

The indemnity accrued in one year is paid to employees in the following year ("withdrawals"), within the deadlines set by current employment contracts. The item "withdrawals" also includes the decrease, in 2021, of the debt for staff retirement allowances to be paid in relation to the untaken holiday leave.

**Table 18.2: Breakdown of item 70 "Risks and costs funds"**

<b>Breakdown:</b>	31/12/2021	31/12/2020
Retirement funds and similar provisions	0	0
Tax funds	0	0
Other funds:	852,158	6,750,690
- fund for costs for extraordinary proceedings	303,650	370,500
- fund for legal proceedings	548,508	546,109
- fund for investment losses	0	5,770,081
- fund for miscellaneous costs	0	64,000
<b>Total</b>	<b>852,158</b>	<b>6,750,690</b>

**Table 18.3: Movements in the "Tax fund"**

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

**Table 18.4: Movements in sub-item c) "Other funds"**

	31/12/2021	31/12/2020
<b>Opening balances</b>	<b>6,750,690</b>	<b>2,694,179</b>
<b>Increases</b>	<b>342,250</b>	<b>4,219,481</b>
- provisions	342,250	4,219,481
- other changes	0	0
<b>Decreases</b>	<b>6,240,782</b>	<b>162,970</b>
- withdrawals	304,601	152,386
- other changes	5,936,181	10,584
<b>Closing balance</b>	<b>852,158</b>	<b>6,750,690</b>

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

1. EUR 255,600 to the "Fund for legal proceedings", the total amount of which, amounting to EUR 548,508 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;
2. EUR 86,650 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;

On the other hand, the decrease pertained to the following:

1. the withdrawal of the "Fund for legal proceedings" for EUR 250,601 in relation to legal fees and lawyer's fee reimbursements incurred in connection with proceedings before the Court and the recognition of contingent assets of EUR 2,600 (other changes);
2. the withdrawal of "Fund for costs for extraordinary proceedings" to the extent of EUR 54,000, due to financial support provided in respect of administrative compulsory winding-up procedures and the recognition of contingent assets for EUR 99,500 (other changes);
3. the closure of the "Fund for investment losses" for EUR 5,770,081 due to non-existence (other changes), attributable to the sale of the shareholding in Banca Nazionale Sammarinese S.p.A. to the Chamber of Commerce already commented on previously;
4. the closure of the "Fund for miscellaneous costs" with no assets for EUR 64,000 (other changes).

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.

The Bank was definitively the losing party in two administrative appeals that established the illegitimacy of an extraordinary administration measure and one involving compulsory administrative liquidation. In addition, two first-instance administrative appeals are still pending, closely related to those described above. Within the item "fund for legal proceedings", the Bank has allocated, also through estimates, all the quantifiable charges relating to the aforementioned disputes. Any actions for damages deriving from the latter cannot be quantified at the moment and consequently the Bank has not made any provisions in this regard. In greater detail than what has just been stated, it is specified that the Bank made a forecast judgement on the degree of fulfilment of the condition on which the existence of the elements of the contingent liability depends and, secondly, on the process of estimating any fund, concluding, especially with reference to this last point, on the impossibility of reaching a reliable estimate of the amount. Since this forecast judgement shows that at least one of the two conditions indicated does not exist (probability of occurrence of the loss and / or possibility of reliable estimate of the same), the contingent liability did not result in the recognition of a provision



in the Annual Accounts, but only a clear, precise and objective description in these notes to the Annual Accounts.

**Table 18.5: Movements in item 80 "Fund for credit risks"**

No provisions were made to the "Fund for credit risks" either as at 31 December 2021 or 31 December 2020.

**19 Fund for general financial risks, Subordinated debt, 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 "Fund for general financial risks"**

	31/12/2021	31/12/2020	Changes	
			Amount	%
<b>Opening balance</b>	<b>32,530,308</b>	<b>37,486,594</b>	<b>-4,956,286</b>	<b>-13.22%</b>
Contributions in the financial year	1,267,167	0	1,267,167	n.a.
Withdrawals in the financial year	0	-4,956,286	4,956,286	100.00%
<b>Closing balance</b>	<b>33,797,475</b>	<b>32,530,308</b>	<b>1,267,167</b>	<b>3.90%</b>

With the resolution adopted by the Governing Council on 27 April 2022, a provision of EUR 1.27 million was made to the Fund for general financial risks, corresponding to the operating surplus recorded in 2021, in order to strengthen the bank's equity.

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

In relation to the year 2021, the Governing Council resolved to balance the economic result and to allocate the economic surplus to this fund, also to replenish, even only partially, the equity reserves previously eroded to cover the deficits recorded in the past years. It should be specified that the provision to the fund for general financial risks must be made at the time of the Annual Accounts by the management body, before the recognition of the economic result. This is not a reserve that can be changed by the General Meeting of the Shareholders, as is the case with the legal and the statutory reserves.

The Fund for general financial risks is a component of 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", the effect of allocating said fund is an increase in the balance sheet aggregate.

**Table 19.2: Breakdown of item 100 "Subordinated debt"**

No "Subordinated debt" was recognised either as at 31 December 2021 or 31 December 2020.



**Table 19.3: Breakdown of item 110 "Subscribed capital"**

Type of shares	31/12/2021			31/12/2020			Changes	
	No. of 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 provided for in art. 20 of the Central Bank Statute, the "Endowment fund" is subdivided into nominative and indivisible shares of EUR 5,164.57 each.

The ownership structure of shares is as follows:

- 67% Chamber of Commerce of the Republic of San Marino;
- 16% Cassa di Risparmio della Repubblica di San Marino S.p.A.;
- 6% Banca di San Marino SpA;
- 5% Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.;
- 5% Banca Nazionale Sammarinese S.p.A. (now S.G.A., Società di Gestione degli Attivi, formerly BNS S.p.A. with sole shareholder);
- 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 December 2021 or 31 December 2020.

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

	31/12/2021	31/12/2020	Changes	
			Amount	%
a) Ordinary or legal reserve	1,274,013	1,274,013	0	0%
b) Reserve for own shares or units	0	0	0	0%
c) 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 December 2021 or 31 December 2020.

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

No "Profits (losses) carried forward" were recognised either as at 31 December 2021 or 31 December 2020.



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

	31/12/2021	31/12/2020	Changes	
			Amount	%
<b>Operating profit (loss)</b>	0	0	0	0%

The financial year ended with a break-even result due to the provision to the fund for general financial risks, 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	Fund for general financial risks	Total
<b>Balances as at 31 December 2018</b>	12,911,425	1,274,013	9,627,277	0	36,986,137	60,798,852
<b>Balances as at 31 December 2019</b>	12,911,425	1,274,013	9,627,277	0	37,486,594	61,299,309
<b>Balances as at 31 December 2020</b>	12,911,425	1,274,013	9,627,277	0	32,530,308	56,343,023
<b>Balances as at 31 December 2021</b>	12,911,425	1,274,013	9,627,277	0	33,797,475	57,610,190

**Table 19.10: Breakdown of funding by business sector**

	31/12/2021	31/12/2020
a) Public Administrations	186,740,213	240,625,390
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 undertakings	0	0
- Pension funds	0	0
c) Non-financial companies	38,127	11,668
- of which parties cancelled from the Register of Authorised Entities	0	0
- Industry	0	0
- Construction	0	0
- Services	38,127	11,668
- Other non-financial companies	0	0
d) Households and not-for-profit institutions servicing households	5,886,604	6,233,297
- Consumer and producer households	5,719,654	6,065,410

- Not-for-profit institutions servicing households	166,950	167,887
e) Others	18,864,853	9,870,649



## Guarantees and Commitments

### 20 Guarantees and commitments

**Table 20.1: Breakdown of “guarantees issued”**

	31/12/2021	31/12/2020	Changes	
			Amount	%
A) Credit commitments of a commercial nature	0	0	0	0%
B) Credit commitments of a financial nature	2,104,748	2,104,748	0	0%
C) Assets pledged as guarantee	0	0	0	0%
- for third party obligations	0	0	0	0%
- for own obligations	5,000,000	0	5,000,000	100%
<b>Total</b>	<b>7,104,748</b>	<b>2,104,748</b>	<b>5,000,000</b>	<b>237.56%</b>

The table shows an increase in “guarantees issued”. In particular, these include assets pledged as guarantee for own bonds of EUR 5,000,000, which refer to securities pledged as guarantee for the credit line obtained by a credit institution and indicated in Table 20.6.

**Table 20.2: Breakdown of credit commitments**

	31/12/2021	31/12/2020	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. Others	0	0	0	0%
B) Credit commitments of a financial nature	2,104,748	2,104,748	0	0%
- B1. Acceptances	0	0	0	0%
- B2. Sureties and bank guarantees	2,104,748	2,104,748	0	0%
- B3. Strong comfort letters	0	0	0	0%
- B4. Others	0	0	0	0%
<b>Total</b>	<b>2,104,748</b>	<b>2,104,748</b>	<b>0</b>	<b>0%</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: Situation of credit commitments to credit institutions**

No “credit commitments to credit institutions” were accounted for either as at 31 December 2021 or 31 December 2020.



**Table 20.4: Situation of credit commitments to customers**

Categories/Amounts	31/12/2021			31/12/2020		
	Gross exposure	Total value adjustments	Net Exposure	Gross exposure	Total value adjustments	Net Exposure
A) Non-performing loans	0	0	0	0	0	0
- of which Bad loans	0	0	0	0	0	0
- of which Problem loans	0	0	0	0	0	0
- of which Restructured loans	0	0	0	0	0	0
- of which Overdue/past due loans	0	0	0	0	0	0
- of which Unsecured loans towards countries at risk	0	0	0	0	0	0
B) Performing loans	2,104,748	0	2,104,748	2,104,748	0	2,104,748
<b>Total</b>	<b>2,104,748</b>	<b>0</b>	<b>2,104,748</b>	<b>2,104,748</b>	<b>0</b>	<b>2,104,748</b>

**Breakdown of “guarantees issued” based on the residual life**

MATURITY	31/12/2021	31/12/2020
On demand	0	0
Within 3 months	550,000	550,000
After 3 to 6 months	0	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	1,554,748	1,554,748
Over 5 years	0	0
Without maturity	5,000,000	0
<b>Total</b>	<b>7,104,748</b>	<b>2,104,748</b>

**Table 20.5: Assets pledged as guarantee of own debts**

No assets pledged as guarantee of own debts were accounted for either as at 31 December 2021 or 31 December 2020.



**Table 20.6: Margins available on credit lines**

	31/12/2021	31/12/2020
A) Central Banks	100,000,000	0
B) Other credit institutions	4,800,000	0
C) Other financial companies	0	0
<b>Total</b>	<b>104,800,000</b>	<b>0</b>

In the year 2021, the Central Bank of San Marino activated credit lines with the European Central Bank through the Bank of Italy and with credit institutions, which would make it possible to take out financing. At present, in relation to one of these lines with a commercial bank, a credit limit that can be disbursed has not been defined; for this reason, the relative indication in the table is missing.

None of the credit lines activated were used.

**Table 20.7: Breakdown of "Spot commitments"**

	31/12/2021	31/12/2020	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	10,000,000	0	10,000,000	0%
- of which negative margins to be used on credit lines	10,000,000	0	10,000,000	100%
- 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	0	0	0%
<b>Total</b>	<b>10,000,000</b>	<b>0</b>	<b>10,000,000</b>	<b>100%</b>

The sub-item of the table "Commitments to disburse funds for uncertain use" concerns the margin available on a credit line granted to customers.

**Table 20.8: Term commitments**

No term commitments were in place as at 31 December 2021.

**Table 20.9: Financial derivatives**

No financial derivative contracts were in place as at 31 December 2021.

**Breakdown of "Commitments" based on the residual life**

<b>MATURITY</b>	<b>31/12/2021</b>	<b>31/12/2020</b>
On demand	10,000,000	0
Within 3 months	0	0
After 3 to 6 months	0	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>10,000,000</b>	<b>0</b>

**Table 20.10: Credit derivatives contracts**

No credit derivatives contracts were in place as at 31 December 2021.



# Memorandum accounts

## 21 Memorandum accounts

**Table 21.1: Memorandum accounts**

Items	31/12/2021	31/12/2020
<b>1) Asset management</b>		<b>0</b>
a) Asset management for customers		0
- of which liquidity		0
- of which liquidity deposited with the Central Bank		0
- of which debt securities		0
- of which debt securities issued by the Central Bank		0
- of which debt securities issued by other credit institutions of San Marino		0
- of which capital securities and CIS units		0
- of which capital securities issued by the Central Bank		0
b) Own portfolios managed by third parties		0
<b>2) Financial instruments custody and management</b>	<b>930,688,989</b>	<b>914,404,174</b>
a) Deposited third-party financial instruments	541,312,030	634,913,890
- of which debt securities issued by the Central Bank		0
- of which debt securities issued by other credit institutions of San Marino		0
- of which capital securities and other securities issued by the Central Bank		0
- of which third-party financial instruments deposited with third parties	2,053,800	1,743,176
b) Own financial instruments deposited with third parties	389,376,959	279,490,284
<b>3) Financial instruments, liquidity and other assets linked to activities as custodian bank</b>	<b>145,851,993</b>	<b>122,757,330</b>
a) Liquidity	68,830,997	77,243,629
- of which liquidity deposited with the Central Bank	68,830,997	77,243,629
b) Debt securities		0
- of which debt securities issued by the Central Bank		0
- of which debt securities issued by other credit institutions of San Marino		0
c) Capital securities, CIS units, other financial instruments		0
- of which capital securities issued by the Central Bank		0
d) Other assets other than financial instruments and liquidity	77,020,996	45,513,701

As regards "2) Financial instruments custody and management - a) deposited third-party financial instruments", this item includes mostly instruments related to the bond issues of the Chamber of Commerce 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. This item decreased by approximately EUR 94 million in 2021 following the early repayment of the zero-coupon public debt security maturing on 29 December 2023.

With reference to item "3) Financial instruments, liquidity and other assets linked to the activities as custodian bank", it should be noted that the amounts stated refer to the 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 EUR 316,340. As at 31 December 2021, amounts due for collection totalled EUR 316,526,855, while guarantees received in relation to extensions granted by the Overdue Tax Collection Service stood at EUR 25,043,807;
- The amount of the mediation guarantee fund managed by the Central Bank (CBSM Regulation No. 2013-03) stood at EUR 650,000;
- The Guarantee Fund for Depositors managed by the Central Bank (CBSM Regulation No. 2016-01) totalled EUR 9,943,122;
- Two Promissory Notes of the value of EUR 43,068,340 and EUR 15,260,428 issued by the Government of the Republic of San Marino in favour of the International Monetary Fund are deposited with the Central Bank.

With regard to the "San Marino Investor Compensation Fund", established by Delegated Decree No. 148/2018 and the "Extraordinary Fund for the Protection against Financial Fraud", established by Delegated Decree No. 168/2018, no recognition was carried out, as also in 2021 both funds were not operational, given that, with reference to the first fund, the relative implementing regulation must be issued, while with reference to the second, operations were launched in March 2022 following the issue of Delegated Decree No. 9/2022 and of the CBSM Regulation No. 2022-02.

#### **Table 21.2: Mediation on behalf of third parties: execution of orders**

Operations not present either as at 31 December 2021 or 31 December 2020.

#### **Table 21.3: Breakdown of indirect funding by business sector**

	<b>31/12/2021</b>	<b>31/12/2020</b>
a) Public Administrations	2,025,024	1,686,340
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 undertakings	0	0
- Pension funds	0	0
c) Non-financial companies	0	0
- <i>of which parties cancelled from the Register of Authorised Entities</i>	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	287,006	315,066
- Consumer and producer households	287,006	315,066



- Not-for-profit institutions servicing households	0	0
e) Others	0	0

## Part C - Information on the profit and loss account

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

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

	31/12/2021	31/12/2020	Changes	
			Amount	%
A) On Treasury Bonds and other financial instruments eligible for refinancing purposes at central banks	0	0	0	0%
A1. Treasury Bonds and other similar instruments	0	0	0	0%
A2. Other financial instruments eligible for refinancing purposes at central banks	0	0	0	0%
B) On loans to credit institutions	-2,211,602	-317,569	-1,894,033	-596.42%
B1. Current accounts with a credit balance	-1,027,276	-310,682	-716,594	-230.65%
B2. Deposits	-1,184,325	-6,887	-1,177,438	-17,096.52%
B3. Other loans	0	0	0	0%
- of which on leasing transactions	0	0	0	0%
C) On loans to customers	265,300	1,227,383	-962,083	-78.38%
C1. Current accounts with a credit balance	191,620	1,142,950	-951,330	-83.23%
C2. Deposits	0	0	0	0%
C3. Other loans	73,680	84,433	-10,753	-12.74%
- of which on leasing transactions	0	0	0	0%
D) On debt securities issued by credit institutions	379,822	394,228	-14,406	-3.65%
D1. Certificates of deposit	0	0	0	0%
D2. Bonds	379,822	394,228	-14,406	-3.65%
D3. Other financial instruments	0	0	0	0%
E) On debt securities from customers (issued by other issuers)	200,019	187,646	12,373	6.59%
E1. Bonds	200,019	187,646	12,373	6.59%
E2. Other financial instruments		0	0	0%
<b>Total</b>	<b>-1,366,461</b>	<b>1,491,688</b>	<b>-2,858,149</b>	<b>-191.61%</b>

In 2021, the item "Interest received" recorded a decrease of EUR 2.9 million due to the reduction in interest received on loans to credit institutions of EUR 1.9 million and on loans to customers of EUR 1 million. Interest earned on debt securities remained substantially unchanged.

With regard to the former, the decrease occurred due to a substantial increase in negative interest received relating to deposits and current accounts with a credit balance mainly due to the higher balances held with banks.



The reduction in interest received on loans to customers essentially regarded current accounts with a credit balance due to the repayment, during the year, of some loans granted to the Chamber of Commerce.

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

	31/12/2021	31/12/2020	Changes	
			Amount	%
A) On debts with credit institutions	-261,124	2,542	-263,666	-10,372.38%
A1. Current accounts with a debit balance	-261,124	1,327	-262,451	-19,777.77%
A2. Deposits	0	1,215	-1,215	-100.00%
A3. Other debts	0	0	0	0%
B) On debts with customers	6,006	13,225	-7,219	-54.59%
B1. Current accounts with a debit balance	6,006	4,057	1,949	48.04%
B2. Deposits	0	0	0	0%
B3. Other debts	0	9,168	-9,168	-100.00%
C) On debts represented by financial instruments to credit institutions	0	0	0	0%
- of which on certificates of deposit	0	0	0	0%
D) On debts represented by financial instruments to customers	0	0	0	0%
- of which on certificates of deposit	0	0	0	0%
E) On subordinated debt	0	0	0	0%
- of which on hybrid capitalisation instruments	0	0	0	0%
<b>Total</b>	<b>-255,118</b>	<b>15,767</b>	<b>-270,885</b>	<b>-1,718.05%</b>

Table 22.2 shows that interest paid fell considerably in 2021, which essentially concerned the sub-item "on debts with credit institutions" (EUR -263,666) and, to a lesser extent, the sub-item "on debts with customers". These reductions are mainly attributable to the effect of the change in interest rates applied on current accounts with a debit balance, which saw the application, in existing relations with banks, of negative interest rates.

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

No "Dividends and other proceeds" were recognised either as at 31 December 2021 or 31 December 2020.



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

**Table 24.1: Breakdown of item 40 "Commissions earned"**

	31/12/2021	31/12/2020	Absolute and % changes	
			Amount	%
Commissions earned:				
a) Guarantees issued	3,683	3,683	0	0%
b) Credit derivatives	0	0	0	0%
c) Advice on financial instruments	0	0	0	0%
d) Collection and payment services	1,586,772	1,584,207	2,565	0.16%
e) Custodian bank services	7,200	7,200	0	0%
f) Financial instruments custody and management	0	0	0	0%
g) Other services	673,681	673,716	-35	-0.01%
<b>Total</b>	<b>2,271,336</b>	<b>2,268,806</b>	<b>2,530</b>	<b>0.11%</b>

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

In this regard, it should be noted that, on 6 August 2020, the agreement for the remuneration of services to the Public Administration for the three-year period 2019/2021 was signed. The related revenue pertaining to 2021, equal to EUR 2,240,000, was collected during the year. The same commission allocation criterion adopted in the previous year is also used for the year 2021

By contrast, "Custodian bank services" include the commissions received by the Central Bank for the service carried out on behalf of Fondiss (supplementary welfare fund of the Republic of San Marino).

**Table 24.2: Breakdown of item 50 "Commissions paid"**

	31/12/2020	31/12/2019	Changes	
			Amount	%
Commissions paid:				
a) Guarantees received	0	0	0	0%
b) Credit derivatives	0	0	0	0%
c) Financial instruments custody and management	60,598	48,234	12,364	25.63%
- own portfolio	57,598	44,484	13,114	29.48%
- third-party portfolio	3,000	3,750	-750	-20.00%
d) Collection and payment services	83,646	53,997	29,649	54.91%
e) Other services	47,941	40,663	7,278	17.90%
<b>Total</b>	<b>192,185</b>	<b>142,894</b>	<b>49,291</b>	<b>34.49%</b>

Commissions relating to "Collection and payment services" include charges incurred in relation to the POS service provided to the Public Administration totalling EUR 75,095, while those for "Other services" are various commissions requested by banks on current accounts.

With regard to the change in this item, compared to the previous year, there was a significant increase in sub-item "d) Collection and payment services", essentially referring to commissions on the POS service.



**Table 25.1: Breakdown of item 60 "Profits (losses) on financial transactions"**

As at 31/12/2021				
Items/Transactions	Transactions on financial instruments	Foreign currency transactions	Transactions on precious metals	Other transactions
A1. Revaluations	583,446	0	0	0
A2. Devaluations	-1,589,830	0	0	0
B. Other profits/losses	1,916,778	24,993	0	0
<b>Total</b>	<b>910,394</b>	<b>24,993</b>	<b>0</b>	<b>0</b>
1. Government bonds	480,311			
2. Other debt financial instruments	429,734			
3. Capital financial instruments	350			
4. Derivative contracts on financial instruments	0			
<b>Total</b>	<b>910,394</b>	<b>24,993</b>		

**Item A.1: revaluations**

It accounts for the aggregate value of the capital gains recognised on the portfolio of debt and capital securities as at 31 December 2021.

**Item A.2: devaluations**

It accounts for the aggregate value of the capital losses recognised on the trading securities portfolio as at 31 December 2021.

**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.

In 2021, the item "Profit (loss) on financial transactions" decreased by EUR 1.5 million, mainly due to:

1. Securities management resulted in a EUR -1 million balance between capital gains and capital losses from valuation as at 31 December 2021 (EUR 0.79 million gain as at 31 December 2020) and trading gains totalling EUR 1.92 million (higher than the result as at 31 December 2020 by EUR 0.26 million);
2. in 2021 there was a profit on foreign currency valuation/trading of EUR 24,933 (in 2020 a loss of EUR 33,758 was recorded).



## 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"**

	31/12/2021	31/12/2020	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	0	10,306	-10,306	-100.00%
c) Recovery of sums levied from supervised parties	2,509,428	2,068,396	441,032	21.32%
d) Credit notes, allowances and positive rounding-off of figures	83	166	-83	-49.75%
e) Proceeds from Overdue Tax Collection Service	63,642	30,804	32,838	106.6%
f) Recovery of costs for Central Credit Register	168,877	167,708	1,169	0.70%
g) Recovery of costs associated with procurement services for banknotes and coins	169,275	201,007	-31,732	-15.79%
h) Annual maintenance costs of the RIS for SEPA payment instruments	18,134	18,101	33	0.18%
i) Insurance settlements	0	1,859	-1,859	-100.00%
l) Recovery of POS-related costs	74,548	47,303	27,245	57.60%
m) Miscellaneous proceeds	20,776	10,250	10,526	102.69%
<b>Total</b>	<b>3,028,263</b>	<b>2,559,400</b>	<b>468,863</b>	<b>18.32%</b>
<b>Other operating costs:</b>			<b>Amount</b>	<b>%</b>
a) Expenses related to the centralised management of cash	100,755	106,737	-5,982	-5.60%
b) Allowances and various rounding-off of figures	53	108	-55	-50.93%
c) Costs for extraordinary proceedings on supervised entities	0	0	0	0%
d) Miscellaneous costs	1,908	1,175	733	62.38%
<b>Total</b>	<b>102,716</b>	<b>108,020</b>	<b>-5,304</b>	<b>-4.91%</b>

The item "Other operating proceeds" includes, as the most significant economic component, the portion of the total costs deriving from performing the supervisory function on other financial, insurance and lending activities, charged to supervised parties. Total ordinary costs were charged in 2021.

"Recovery of costs for Central Credit Register" refers to the recognition of the recovery of costs pertaining to financial year 2021 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 2021 with the relevant amount for the period.

"Recovery of POS-related costs" refers to the recovery of costs sought from the Broader Public Administration in 2021 for the POS service provided to them.

Other operating costs include "Expenses related to the centralised management of cash".



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

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

	Average as at 31 December 2021	Labour costs as at 31 December 2021	Headcount as at 31 December 2021	Average as at 31 December 2020	Labour costs as at 31 December 2020	Headcount as at 31 December 2020
a) Senior Officers	1.00	125,422	1	1.00	95,760	1
b) Managers	11.00	1,213,026	11	11.83	1,279,175	11
c) Other staff	81.58	4,611,087	83	80.25	4,528,069	80
1. front office managers/clerks	78.58	4,517,144	80	77.00	4,450,638	77
2. support staff	3.00	93,943	3	3.25	77,431	3
<b>Total</b>	<b>93.58</b>	<b>5,949,535</b>	<b>95</b>	<b>93.08</b>	<b>5,903,004</b>	<b>92</b>

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

	31/12/2021	31/12/2020	Changes	
			Amount	%
Other administrative costs:				
Remuneration to the Audit firm	19,320	19,026	294	1.55%
- of which: for services other than the auditing of the Annual Accounts	0	0	0	0%
Graphic art work and advertising	9,130	4,820	4,310	89.42%
Insurance premiums	487,746	474,664	13,082	2.76%
Miscellaneous utilities and cleaning of premises	116,005	101,011	14,994	14.84%
Forms, stationery and newspapers	17,980	27,266	-9,286	-34.06%
Postage and telephone	110,993	133,437	-22,444	-16.82%
Consumables and spare parts	7,207	7,916	-709	-8.96%
Professional consultancy fees	350,735	492,588	-141,853	-28.80%
Reimbursement of travel costs	13,977	14,400	-423	-2.94%
Travel	9,884	8,190	1,694	20.68%
Rentals, technical assistance, repairs and various services	1,368,681	1,357,266	11,415	0.84%
Association memberships and similar fees	10,923	11,275	-352	-3.12%
Rents paid	84,428	67,223	17,205	25.59%
Import taxes	1,145	1,888	-743	-39.35%
Translations	9,411	12,093	-2,682	-22.18%
Miscellaneous transport	13,772	22,307	-8,535	-38.26%
Miscellaneous and sundry expenses	48,279	32,765	15,514	47.35%
<b>Total</b>	<b>2,679,616</b>	<b>2,788,135</b>	<b>-108,519</b>	<b>-3.89%</b>



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

From the table it should be noted a general reduction of those costs. This reduction resulted from the implementation since 2019 of a project to rationalise management costs, approved by the Governing Council pursuant to Article 52 of Law No. 173 dated 24 December 2018, seeking a costs reduction by cutting back on labour costs, consultancy fees and overheads (at least 20%) compared to 2018.

**Table 27.3: Remuneration**

	31/12/2021	31/12/2020	Changes	
			Amount	%
Directors	144,025	191,510	-47,485	-24.80%
Statutory Auditors	38,475	40,060	-1,585	-3.96%
Management	231,161	231,132	29	0.01%
<b>Total</b>	<b>413,661</b>	<b>462,702</b>	<b>-49,041</b>	<b>-10.60%</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"**

	31/12/2021	31/12/2020	Changes	
			Amount	%
a) Intangible fixed assets	106,698	100,506	6,192	6.16%
- Software	102,565	96,373	6,192	6.43%
- multi-year costs	0	0	0	0.00%
- multi-year costs on third-party assets	4,133	4,133	0	0%
b) Tangible fixed assets	225,006	235,528	-10,522	-4.47%
- real property	189,146	189,146	0	0.00%
- systems and fittings	8,242	7,787	455	5.85%
- other tangible fixed assets	27,618	38,595	-10,977	-28.44%
<b>Total</b>	<b>331,704</b>	<b>336,034</b>	<b>-4,330</b>	<b>-1.29%</b>

**Table 28.2: Breakdown of item 120 "Provisions for risks and charges"**

	31/12/2021	31/12/2020	Changes	
			Amount	%
a) Retirement funds	0	0	0	0%
b) Tax funds	0	0	0	0%
c) Other funds:	342,250	4,219,481	-3,877,231	-91.89%
<i>of which: fund for legal proceedings</i>	255,600	195,200	60,400	30.94%
<i>of which: fund for costs for extraordinary proceedings</i>	86,650	137,000	-50,350	-36.75%
<i>of which: fund for losses on subsidiaries</i>	0	3,870,081	-3,870,081	-100.00%
<i>of which: fund for miscellaneous costs</i>	0	17,200	-8,600	-50.00%
<b>Total</b>	<b>342,250</b>	<b>4,219,481</b>	<b>-3,877,231</b>	<b>-91.89%</b>

As already illustrated in the corresponding section of Liabilities, the item "Provisions for risks and charges" includes the following provisions:

1. Fund for legal proceedings (EUR 255,600) in view of the estimated costs, including legal costs and reimbursements of legal costs, that could arise from proceedings in progress at the Court, which opened in previous years and in 2021;
2. Fund for costs for extraordinary proceedings (EUR 86,650) in view of the financial support to be provided in respect of administrative compulsory winding-up procedures;

**Table 28.3: Item 130 "Provisions for loan losses"**

In 2021 and 2020, 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"**

	31/12/2021	31/12/2020	Changes	
			Amount	%
a) Value adjustments on credits	25,310	30,270	-4,960	-16.39%
b) Provisions for guarantees and commitments	0	0	0	0%
<b>Total</b>	<b>25,310</b>	<b>30,270</b>	<b>-4,960</b>	<b>-16.39%</b>

The item in question includes value adjustments made to credits in 2021 for the recovery of sums levied from supervised parties included under "other assets", as shown in the breakdown of this latter item.

No value adjustments on credits either with clients or banks were accounted for in 2021 and 2020.



**Table 28.6: Breakdown of item 150 "Value recoveries on credits and provisions for guarantees and commitments"**

	31/12/2021	31/12/2020	Changes	
			Amount	%
Value recoveries	12,501	67,061	-54,560	-81.36%
<b>Total</b>	<b>12,501</b>	<b>67,061</b>	<b>-54,560</b>	<b>-81.36%</b>

These are value recoveries from collections related to receivables for the recovery of sums levied from supervised parties included in "other assets", which were previously fully written down.

No value recoveries on credits either with clients or banks were accounted for in 2021 and 2020.

**Table 28.7: Breakdown of item 160 "Value adjustments on financial fixed assets"**

In 2021 and 2020, no value adjustments on financial fixed assets were made.

**Table 28.8 Breakdown of item 170 "Value recoveries on financial fixed assets"**

In 2021 and 2020, 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"**

	31/12/2021	31/12/2020	Changes	
			Amount	%
<b>Extraordinary proceeds</b>				
a) Windfall proceeds	110	4,543	-4,433	-97.58%
b) Contingent assets	5,987,986	20,899	5,903,087	28,245.79%
c) Rounding offs in Euro (EUR) units	2	2	0	0%
<b>Total</b>	<b>5,988,098</b>	<b>25,444</b>	<b>5,962,654</b>	<b>23,434.42%</b>
<b>Extraordinary costs</b>				
a) Windfall costs	45,192	1,391	43,801	3,148.92%
b) Contingent liabilities	1,939	0	1,939	100.00%
c) Capital losses	0	0	0	0%
d) Other extraordinary costs	0	0	0	0%
e) Rounding offs in Euro (EUR) units	0	0	0	0%
<b>Total</b>	<b>47,131</b>	<b>1,391</b>	<b>45,740</b>	<b>3,288.28%</b>

Extraordinary proceeds recorded a significant increase in 2021, especially with regard to the item "Contingent assets", which rose from EUR 21 thousand to EUR 6 million. This increase was affected by the sale of the shareholding in Banca Nazionale Sammarinese S.p.A. at nominal value, which allowed the recovery of the amount allocated to the "Fund for investment losses", i.e. EUR 5,770,081.

As regards extraordinary costs, instead, which increased by EUR 45,740, the most significant item is that of windfall costs, the increase of which is essentially due to charges relating to previous years received late.

### 30 Change in the Fund for general financial risks (Item 230 of the profit and loss account)

**Table 30.1: Breakdown of item 230 "Change in the Fund for general financial risks"**

	31/12/2021	31/12/2020	Changes	
			Amount	%
Change in the Fund for general financial risks	-1,267,167	4,956,286	-6,223,653	-125.57%
<b>Total</b>	<b>-1,267,167</b>	<b>4,956,286</b>	<b>-6,223,653</b>	<b>-125.57%</b>

As already mentioned in the corresponding item of Liabilities, the provision to the Fund for general financial risks was made by resolution of the Governing Council with the aim of partially replenishing the previously eroded equity reserves. For further details on the movements in the Fund for general financial risks, please refer to the previous Section 19, Table 19.1.



## 31 Statement of Cash Flows

Generated and collected funds	2021	2020
<b>Funds generated from operations</b>		
Operating loss	0	
Provisions for risks and charges	342,250	0
Provisions to the fund for general banking risks	1,267,167	4,219,481
Value adjustments on fixed assets	331,704	0
	<b>1,941,121</b>	336,034
		<b>4,555,515</b>
<b>Increase in funds collected:</b>		
Other liabilities	912,117	
Debts with credit institutions	136,475,747	0
Debts with customers	0	159,092,703
Debts represented by financial instruments	0	75,239,393
Provisions for staff retirement allowances	452,987	0
Other changes	0	443,945
Accrued expenses and deferred revenues	0	0
	<b>137,840,852</b>	0
		<b>234,776,041</b>
<b>Decrease in funds used</b>		
Other assets	0	
Shares, quotas and other capital financial instruments	0	3,491,019
Cash and available funds	0	0
Intangible fixed assets	5,460	0
Tangible fixed assets	0	0
Accrued revenues and deferred expenses	0	0
Inter-bank loans	0	0
Bonds and other debt financial instruments	0	0
Loans to customers	60,062,951	34,277,018
Shareholdings	19,000,000	5,110,495
	<b>79,068,411</b>	0
		<b>42,878,532</b>
<b>Total generated and collected funds</b>	<b>218,850,384</b>	<b>282,210,088</b>

Funds used and spent	2021	2020
<b>Value recoveries and use of funds generated from operations:</b>		
Value recoveries (on "other funds")	6,240,782	162,970
Utilisation of other funds	0	4,956,286
Dividends paid out	0	0
Other reserves (unavailable reserves)	0	0
	<b>6,240,782</b>	<b>5,119,256</b>
<b>Increase in funds spent:</b>		
Other assets	417,360	0
Other changes	0	0
Cash and available funds	5,885,479	2,320,723
Loans to credit institutions	18,243,580	272,946,923
Loans to customers	0	0
Intangible fixed assets	134,414	65,356
Tangible fixed assets	35,824	33,999
Shares, quotas and other capital financial instruments	350	315
Bonds and other debt financial instruments	142,200,396	0
Shareholdings	0	0
Accrued revenues and deferred expenses	8,235	70,630
	<b>166,925,638</b>	<b>275,437,946</b>
<b>Decrease in funds collected:</b>		
Other liabilities	0	1,120,939
Debts with banks	0	0
Debts with customers	45,211,207	0
Use of staff retirement allowances	446,631	495,514
Debts represented by financial instruments	0	0
Accrued expenses and deferred revenues	26,126	36,433
	<b>45,683,964</b>	<b>1,652,886</b>
<b>Total funds used and spent</b>	<b>218,850,384</b>	<b>282,210,088</b>



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## Board of Statutory Auditors' Report on the Statement of operations for financial year 2021



## **BOARD OF STATUTORY AUDITORS' REPORT ON THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021**

Dear Shareholders,

The draft Annual Accounts as at 31 December 2021, which the Governing Council of Banca Centrale della Repubblica di San Marino S.p.A. (hereinafter also referred to as "Bank" or "Supervisory Authority"), submits for your approval, were drawn up in compliance with current regulatory provisions, in particular Law No. 96 of 29 June 2016 (Statute of the Central Bank of the Republic of San Marino), Law No. 165/2005 (LISF) and Law No. 47 dated 23 February 2006 - Company Law) as amended and supplemented.

The Board of Statutory Auditors has examined all the documentation produced by the other bodies in charge; during the audits carried out over the course of the engagement, it performed a sample analysis on the main components.

The draft Annual Accounts as at 31 December 2021 were prepared in compliance with current laws (Law No. 96 dated 29 June 2005, as amended - Central Bank Statute; Law No. 165 dated 17 November 2005 - Law on Companies and Banking, Financial and Insurance Services; Law No. 47 dated 23 February 2006, as amended - Company Law) and taking into account the principles of conduct recommended by the Professional Associations; they consist of the Balance Sheet, the Profit and Loss Account, the Notes to the Annual Accounts and the Governing Council Report.

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 Annual Accounts were prepared based on the provisions set out in the aforementioned Regulation and the operating provisions of CBSM Circular No. 2017/03, with account also being taken however of the typical unique characteristics of the business of the Central Bank.

Furthermore, the Statement of Cash Flows (Part D - Other information) was attached to the Notes to the Annual Accounts.

In order to facilitate the analysis of the various items, in drafting the Annual Accounts, the figures of the previous financial year were also included, reclassified, where



necessary, for the purpose of ensuring the comparability of the data of the two financial years.

The draft Annual Accounts were approved by the Governing Council at today's meeting and at the same time were made available to the Board of Statutory Auditors, and therefore the undersigned represents that it waived the deadline set forth in Art. 83, paragraph 1 of Law No. 47 dated 23 February 2006 (Company Law).

The administrative body is responsible for their preparation; we are responsible for a professional judgement based on our audit and supervisory activities.

We assessed the appropriateness of the accounting standards used and the reasonableness of the accounting estimates prepared by the directors: the 2021 Annual Accounts were prepared in accordance with the general principles of prudence, accrual accounting and business continuity.

We have examined the report on operations required by the Statute that accompanies the Annual Accounts and we believe it is consistent with the Annual Accounts themselves.

During the year ended 31 December 2021, we monitored compliance with the law, the Statute and the Internal Regulations of the Central Bank and observance of the principles of proper administration.

The accounting standards adopted and the process of determining the profit (loss) for the year are detailed in the Notes to the Annual Accounts, which is analytically demonstrated in the income components recognised in the Profit and Loss Account; the Balance Sheet represents a reliable expression of the company's financial position.

The numerical translation of the operating events, statically recognised in the Annual Accounts, is adequately disclosed in the Report on Operations required by the Statute and which, at the end of the examination, the Board deems consistent with the Annual Accounts.

This report complies with the legal duty according to which the statutory auditors must fulfil their responsibilities with the professionalism and diligence required by the nature of the engagement, being responsible for the truth of their statements, keeping the facts and documents secret which they have knowledge of due to their office.

At the same time, this report becomes a useful tool for exchanging information with the Shareholders' Meeting, the company body, regarding the general performance of the company's activities and the administration and control systems.

The substantive legitimacy check carried out by the Council pursued compliance not only with the rules that protect the interests of the Bank but also of the stakeholders, whose contribution is essential for the achievement of a specific Bank's objective, an activity that is carried out without being limited to a purely extrinsic check, i.e. a confirmation of the formal observance of the law, although it certainly cannot be extended to the assessments of the Governing Council, as administrative body, of opportunity, cost-effectiveness and management prudence.

With this annual report, the statutory auditors therefore report to the Shareholders' Meeting the conclusions of the control activities carried out, both as regards the results of the financial year and the outcome of the relevant audit on the compliance of the Annual Accounts, providing the Shareholders' Meeting with a useful tool in evaluating the report on operations, so as to be able to express an opinion on it.

The Bank's activities, also in 2021, was carried out in an exceptionally complex context: the continuation of the global health emergency due to the COVID-19 pandemic led to an atypical period of activity, affecting the economic recovery with distorting effects on growth, benefiting some sectors to the detriment of others and the more developed areas to the disadvantage of developing ones.

The Central Bank has been making considerable organisational efforts to deal with the situation during the months of the emergency, ensuring business continuity, and comply with the new regulations laid down by law in order to safely manage the operational and restart phase: it is believed that the conditions currently exist for the continuation of business activities.

During the year, the supervisory task assigned to the Board of Statutory Auditors in accordance with the Statute and the law was carried out through periodic audits, sometimes carried out with the collaboration of the persons in charge of the function, which are transcribed in the register of the Board of Statutory Auditors endorsed in accordance with the law.

The transcribed minutes did not bring to light, as at 31 December 2021, significant facts that need to be mentioned in this Report, or situations involving infringement of



the law and/or objections to be submitted to the attention of the judicial authorities or the Financial Intelligence Agency.

It should be noted that the Board of Statutory Auditors did not receive reports of events deemed objectionable or reports of any kind from the Shareholders or third parties pursuant to Art. 65 of Law No. 47/2006.

During the year 2021, the Board of Statutory Auditors:

- participated in the meetings of the Governing Council. With reference to these meetings, based on the information obtained, we can reasonably confirm that the actions resolved are compliant with the law and the Statute, are not manifestly imprudent or risky, or in potential conflict of interest or in contrast with the resolutions passed by the Shareholders' Meeting, or as such as to compromise the integrity of the company's assets;
  - participated in the Shareholders' Meetings, in the context of which the information provided by the Chairman and the Acting Deputy Director was compliant with the work of the Executive Body and matched the events that actually took place;
  - verified the effectiveness of the working method established within the Governing Council, whose individual members, with express and limited powers, interacted with the organisational structure on work projects, as long as areas that required functional review were identified both with reference to the internal committees and the processes and activities carried out, making it easier to implement generally shared solutions;
  - obtained, during the audits carried out periodically as well as during the meetings of the Governing Council, from the officers of the Institution, the directors and the Acting Deputy Director, all information on the general performance of operations and on its outlook, as well as on the operations of greater economic, financial and equity significance;
  - assessed the adequacy of the administrative and accounting organisational structures, verifying the actual functioning and ascertaining the existence of a system able to ensure completeness and reliability in the accounting recognition of operating events, both on the basis of assessments directly carried out by this Board of Statutory Auditors and on the absence of reports by the Audit Firm.
- The accounts are transcribed according to principles and rules compliant with

current regulations, on the basis of which the Governing Council was able to obtain periodic positions and budget projections needed for the cost rationalisation project;

- supervised the compliance of the management action, including the legality of the governance processes, verifying the implementation of the corrective measures that emerged from the audits and noting precise action to update the internal regulations that must be completed, in the current year, with regard to relations between the Governing Council and the Supervision Committee pursuant to the Statute;
- verified the constant attention of the Governing Council on the structuring of internal controls to ensure both operational compliance and management efficiency;
- verified the correct set-up of the appropriate anti-money laundering control procedures, as well as the Control Plan at the initiative of the Appointed Manager.

The Draft Annual Accounts, submitted for your review, consist of the Balance Sheet, Profit and Loss Account, the Notes to the Annual Accounts and the Governing Council Report on Operations.

The Board of Statutory Auditors examined the draft Annual Accounts for the year ended 31 December 2021 and the Notes to the Annual Accounts containing an illustration of the valuation criteria, adjustments and provisions, information on the balance sheet, profit and loss account and other information in addition to the Governing Council report on operations.

The analysis carried out using the sampling method did not reveal any anomalies.

We have viewed the report prepared by the audit firm, dated 6 May 2022 and at the same time received by the undersigned, prepared in accordance with current regulations on banking undertakings and companies, and on the merits we acknowledge that:

- were prepared in compliance with the international auditing standards in connection with internal regulations on Annual Accounts;



- an opinion was provided on the compliance of the Annual Accounts with the rules governing their preparation;
- an unqualified opinion was expressed on the consistency of the Report on Operations with the Annual Accounts;
- there are a number of disclosures that do not alter or modify the opinion of the auditor and seem conducive to focussing attention on some significant events which occurred during the year.

Given the above, having examined the contents of the auditor's opinion: *"the Annual Accounts provide a true and fair view of the equity and financial position of the Central Bank of the Republic of San Marino as at 31 December 2021 and of the economic result for the year ended on that date"*, we acknowledge the disclosure made by the Audit Firm, which does not change the opinion, but which draws attention to the information contained therein and more detailed in the notes to the Annual Accounts and in the "Governing Council Report on Operations - FY 2021".

The disclosure refers to the following significant events:

- *compared to the previous year, the Bank recorded the zeroing of the item Shareholdings, following the sale to the Chamber of Commerce, which took place on 30 June 2021, of the entire investment, of EUR 19 million, held in Banca Nazionale Sammarinese, now S.G.A. Società di Gestione degli Attivi, formerly BNS S.p.A., all in compliance with Law Decree No. 133 dated 19 July 2021; the payment of the sale took place with the issue, reserved to the Central Bank, of irredeemable securities of the public debt with a nominal value of EUR 19 million, which were held for investment by means of a specific resolution of the Governing Council. At the same time, the related fund for risks recorded under Liabilities was eliminated, recognising extraordinary proceeds for an amount of approximately EUR 5.8 million;*
- *as a result of some administrative disputes in which it was the losing party, the Bank made various provisions and provided information on them, all as better illustrated in the notes to the Annual Accounts in paragraph 18 of the Liabilities dedicated to Funds and, in particular, those for risks and costs;*
- *as better described in the paragraph "Significant events which occurred after the closure of the financial year" of the Governing Council Report on Operations,*

*following the Russian-Ukrainian conflict that began in the first months of 2022, significant capital losses were recorded on the securities of the owned bond portfolio;*

- the Bank resolved to allocate approximately EUR 1.3 million to the Fund for general financial risks with the aim of partially replenishing the previously eroded equity reserves.*

The Board of Statutory Auditors certifies that it did not identify any critical aspects deriving from the Audit Firm, having also verified the compliance of the Annual Accounts with the facts and information of which it is aware as a result of the performance of its duties and in the absence of any report.

As part of the legality control, which is the responsibility of this body, the general formulation of the project in question and its general compliance with the law were supervised; the Annual Accounts were drawn up with clarity and in compliance with the civil and tax regulations in force, and they also provide a true and fair view of the equity, financial situation and the economic result for the year.

In our opinion, the Report on Operations and the Notes to the Annual Accounts allow an understandable reading of the events that have taken place as a whole and a correct presentation of the data, also in compliance with the constant application of the preparation criteria.

In our opinion, the Annual Accounts as at 31 December 2021 are compliant with the accounting standards and the valuation criteria indicated in the notes to the Annual Accounts, which comply with current regulations and reflect, in particular, the regulatory requirements and the technicality of the reporting of year.

We also point out the reasonableness of the accounting estimates made by the directors in accordance with the duty of protecting the integrity of the company assets in order to ensure business continuity, in relation to the principle of valuation prudence, of relevance and accrual accounting.

In consideration of the above, taking into account that no findings or reservations have emerged, this Board of Statutory Auditors, for matters within its competence and to the best of its knowledge, believes that it expresses its opinion of compliance with the rules for drafting the Annual Accounts which have therefore been drawn up clearly and



provide a true and fair view of the equity and income situation and the economic result for the year of the Central Bank.

Lastly, the Board of Statutory Auditors wishes to express its thanks to the entire Governing Council, to the Acting Deputy Director and to all staff, since, with their collaboration and availability, they have facilitated the understanding of the facts and the verification activities carried out.

Dear Shareholders,

we invite you to approve the draft Annual Accounts for the year 2021, owing to the above, and based on the exhaustive disclosure provided, which allows stakeholders to correctly assess, with respect to the environmental system in which the Central Bank operates, their investment and the correct equity, financial and economic position of the Supervisory Authority.

The Board of Statutory Auditors, under its own responsibility, pursuant to Art. 6, Paragraph 10, Delegated Decree No. 46 of 24 February 2011, hereby declares that each of its members continues to meet the subjective and objective conditions envisaged by current regulations for the performance of their duties.

San Marino, 6 May 2022

The Board of Statutory Auditors

Ms. Pier Angela Gasperoni

Ms. Valentina Di Francesco

Ms. Monica Zafferani



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## Audit Firm's Report on the Statement of operations for financial year 2021



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**INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 23  
PARAGRAPH 3 OF LAW NO. 96 DATED 29 JUNE 2005 (STATUTE OF THE  
CENTRAL BANK OF THE REPUBLIC OF SAN MARINO)**

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

**Opinion**

We audited the Annual Accounts of the CENTRAL BANK OF THE REPUBLIC OF SAN MARINO (hereinafter also the Bank or Central Bank) consisting of the Balance Sheet as at 31 December 2021, Income Statement for the financial year then ended and the Explanatory Notes to the Annual Accounts.

In our opinion, the Annual Accounts provide a true and fair view of the equity and financial position of the CENTRAL BANK OF THE REPUBLIC OF SAN MARINO as at 31 December 2021 and of the economic result for the year ended on that date.

**Elements at the basis of the opinion**

We carried out the audit in compliance with the regulations in force in the Republic of San Marino and, where applicable, with international auditing standards. Our responsibilities under these standards are further described in the "Responsibilities of the independent auditor for the audit of the Annual Accounts" section of this report. We are independent from the Bank in compliance with the rules and principles on ethics and independence applicable in the San Marino legal system to the audit of the Annual Accounts. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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## Note to public disclosure

Without changing our judgement, we draw your attention to the more detailed information in the Explanatory Notes to the Annual Accounts and in the "Governing Council Report on Operations - 2021" with regard to the following significant events.

- Compared to the previous year, the Bank recorded the zeroing of the item Shareholdings, following the sale to the "Ecc. Camera", which took place on 30 June 2021, of the entire investment, of EUR 19 million, held in Banca Nazionale Sammarinese, now S.G.A. Società di Gestione degli Attivi, formerly BNS S.p.A., all in compliance with Law Decree No. 133 dated 19 July 2021; the payment of the sale took place with the issue, reserved to the Central Bank, of irredeemable securities of the public debt with a nominal value of EUR 19 million, which were immobilized by special resolution of the Board of Directors. At the same time, the related fund for risks recorded under Liabilities was eliminated, accounting for extraordinary income for an amount of approximately EUR 5.8 million.
- As a result of some administrative disputes in which the Central Bank was the losing party, the Bank itself made several provisions and provided information on them, all as better illustrated in the Explanatory Notes to the Annual Accounts in paragraph 18 of the Liabilities dedicated to funds and, in particular, those for risks and charges.
- As better described in the paragraph "Significant events which occurred after the closure of the financial year" of the Governing Council Report on Operations, following the Russian-Ukrainian conflict that began in the first months of 2022, significant capital losses were recorded on the securities of the owned bond portfolio.
- The Bank decided to allocate approximately EUR 1.3 million to the General Financial Risks Fund with the aim of partially replenishing the previously eroded equity reserves.

## Other aspects

This report is issued pursuant to art. 23, paragraph 3 of Law No. 96 of 29 June 2005 (Statute of the CENTRAL BANK OF THE REPUBLIC OF SAN MARINO). The accounting control assignment is carried out by another party other than the auditing firm.



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## **Responsibilities of the Directors and the Board of Statutory Auditors for the Annual Accounts**

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

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

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

## **Auditor's Responsibilities for the audit of the Annual Accounts**

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

As part of the audit carried out in accordance with the legislation in force in the Republic of San Marino and, where applicable, with International Standards on Auditing, we

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exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of significant errors in the Annual Accounts, due to fraud or unintentional behaviour or events; we defined and performed audit procedures in response to these risks; we have obtained sufficient and appropriate audit evidence on which to base our judgment. The risk of not detecting a significant error due to fraud is higher than the risk of not detecting a significant error deriving from unintentional behaviour or events, since fraud may involve the existence of collusion, forgery, intentional omissions, misleading representations or internal audit forcing;
- we acquired a relevant understanding of internal control relevant for auditing purposes in order to define appropriate circumstantial audit procedures and not to express an opinion on the effectiveness of the internal control of the Bank;
- we assessed the appropriateness of the accounting principles used as well as and the reasonableness of the accounting estimates made by the directors, including the related disclosures;
- we reached a conclusion on the appropriateness of the use of the business continuity assumption by the directors and, based on the audit evidence, on the presence of significant uncertainty regarding events or circumstances that may give rise to significant doubt about the Bank's ability to continue operating as an operating entity. In the presence of significant uncertainty, we are required to draw attention in the audit report to the related disclosure, or, if such disclosure is inadequate, to reflect this fact in the formulation of our judgement. Our conclusions are based on the audit evidence obtained up to the date of this report. However, subsequent events or circumstances may result in the Bank ceasing to operate as an operating entity;
- we assessed the presentation, structure and content of the Annual Accounts as a whole, including the disclosures, and whether the Annual Accounts represent the underlying transactions and events in order to provide a correct representation.

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

San Marino, 6 May 2022

SOLUTION S.r.l.

Marco Stolfi  
Chairman of the Board of Directors



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## **Guarantee Fund for Depositors**





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Statement of operations for financial year 2021: Statement of assets and liabilities

ASSETS	31/12/2021		31/12/2020	
	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>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
B.1. Repurchase agreements	0	0%	0	0%
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>9,943,122</b>	<b>100%</b>	<b>8,955,626</b>	<b>100%</b>
<b>E. OTHER ASSETS</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>TOTAL ASSETS</b>	<b>9,943,122</b>	<b>100%</b>	<b>8,955,626</b>	<b>100%</b>

LIABILITIES	31/12/2021	31/12/2020
	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	31/12/2021	31/12/2020
	Total value	Total value
<b>NET ASSET VALUE OF THE FUND</b>	<b>9,943,122</b>	<b>8,955,626</b>



# Statement of operations for financial year 2021: Income position

	31/12/2021	31/12/2020
	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>0</b>	<b>9,168</b>
Interest received and other proceeds	0	9,168
Value increases/decreases	0	0
Profit/loss on disposals	0	0
<b>Operating margin on loans</b>	<b>0</b>	<b>9,168</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 of 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>0</b>	<b>9,168</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>0</b>	<b>9,168</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>4,666</b>	<b>2,699</b>
Other revenues	4,666	2,700
Other costs	0	1
<b><u>OPERATING PROFIT/(LOSS)</u></b>	<b>4,666</b>	<b>11,867</b>





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Statement of operations for financial year  
2021:  
Notes to the Annual Accounts



## Structure and contents of the Statement of operations

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Pursuant to the provisions of Article III.III.2, paragraph 2, of the "Regulation on the Guarantee Fund for Depositors" (Reg. 2016-01, as amended), the reporting format of the Statement of operations of the Guarantee Fund for Depositors was based on the provisions of Regulation 2007-06 of the Central Bank currently in force and on the schedules and statements annexed thereto, to the extent as compatible.

More specifically, 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; 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 some sub-items were adjusted due to the peculiarities of the Fund itself.

The Statement of operations consists of the Statement of assets and liabilities, the Income position and the Notes to the Annual Accounts, and is accompanied by the Board of Statutory Auditors' Report and 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.

## Illustration of valuation criteria

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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 Euro (EUR).

Liquidity and credits were measured at nominal value, which corresponds to the assumed 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 2021, it is worth noting that on such date no such instruments were included in the portfolio.

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

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### Section 1 - 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.1. Repurchase agreements

As at the reporting date of this statement of operations, the Fund does not have any repurchase agreements.

### B.2. Others

As at the reporting date of this statement of operations, the Fund has no loan granting transactions in progress.

## **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**

Liquidity	31/12/2021	31/12/2020
Liquidity	9,943,122	8,955,626
<b>Total</b>	<b>9,943,122</b>	<b>8,955,626</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 EUR 1,270, was held under this item.

"Liquidity" represents the only use of capital resources available to the Fund.

The increase in the item corresponds, in fact, to the increase recorded in the equity funds during 2021.

During 2021, no investment transactions other than liquidity were carried out. The previous decisions regarding the allocation of resources of the fund are confirmed, which led to the maintenance of available funds in the current account, taking into account the higher remuneration of this form of deposit compared to that recognised for repurchase agreements - also given the resolution of the Governing Council dated 27 November 2019, which reduced the spread recognised.

## **E. OTHER ASSETS**

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

## **Section 2 - 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 3 - Net Asset Value**

<b>Net Asset Value of the Fund</b>	<b>31/12/2021</b>	<b>31/12/2020</b>
<b>Net equity at the beginning of the period</b>	<b>8,955,626</b>	<b>8,372,374</b>
Increases	982,830	571,385
Decreases	0	0
Result for the period	4,666	11,867
<b>Net equity at the end of the period</b>	<b>9,943,122</b>	<b>8,955,626</b>

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

a. the increases (EUR 0.98 million) refer to ordinary contributions, due to the application of a contribution rate for 2021 of 0.061% of protected deposits as at 31 December 2020; this rate was determined to achieve the minimum objective of the Fund's coverage level, established at European level in 0.8% of protected deposits by 2024;

b. the result for the period (EUR 4,666) was tax exempt due to the institutional peculiarities of the Fund.

## **Part B - Income position**

The year under review shows a positive result of EUR 4,666 resulting from components shown in the tables in this section.

### **Section 1 - Performance of financial instrument management**

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

### **Section 2 - Operating margin on loans**

<b>Credits</b>	<b>31/12/2021</b>	<b>31/12/2020</b>
Interest received and other proceeds	0	9,168
Value increases/decreases	0	0
Profit/loss on disposals	0	0
<b>Total</b>	<b>0</b>	<b>9,168</b>

In 2021, the item was reduced to zero due to the choices already illustrated in relation to the item "Liquidity".

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



As at the reporting date of this statement of operations, no income entries resulting from the management of 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 of foreign currency management**

During the year, the Fund did carry out any foreign currency transactions.

#### **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 2021 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>31/12/2021</b>	<b>31/12/2020</b>
Other revenues	4,666	2,700
Other costs	0	1
<b>Total</b>	<b>4,666</b>	<b>2,699</b>

"Other revenues" (EUR 4,666) pertain to interest accrued on the current account maintained with the Central Bank of the Republic of San Marino;

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

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There was no other information to report.





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## Board of Statutory Auditors' Report on the Statement of operations for financial year 2021



**BOARD OF STATUTORY AUDITORS' REPORT**  
**ON THE STATEMENT OF OPERATIONS FOR THE YEAR ENDED 31**  
**DECEMBER 2021**  
**GUARANTEE FUND FOR DEPOSITORS**

To the participants and guaranteed parties of the Guarantee Fund for Depositors,  
The draft Annual Accounts as at 31 December 2021 that the Governing Council submits for your approval, were prepared in compliance with current laws (Law No. 96 dated 29 June 2005, as amended - Central Bank Statute; Law No. 165 dated 17 November 2005 - Law on Companies and Banking, Financial and Insurance Services; Law No. 47 dated 23 February 2006 - Company Law); they consist of the Assets and Liabilities Statements, Income Position, Notes to the Annual Accounts, Board of Statutory Auditors' Report as well as Audit Firm's Report.

Pursuant to the provisions of Article III.III.2, paragraph 2, of the "Regulation on the Guarantee Fund for Depositors" (Reg. 2016-01, as amended), the reporting format of the Statement of operations of the Guarantee Fund for Depositors was based on the provisions of Regulation 2007-06 of the Central Bank currently in force and on the schedules and statements annexed thereto, to the extent as compatible.

The Statement, comprised of the Assets and Liabilities Statements, Income Position, Notes to the Annual Accounts, 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.

The Statement of Operations was approved by the Governing Council today and at the same time was made available to the Board of Statutory Auditors.

The Statement of Operations submitted for your approval shows a positive result (EUR 4,666) which is analytically demonstrated in the income components recognised in the Profit and Loss Account; the Balance Sheet represents the reliable expression of the equity and financial situation of the company. Said result for the year was tax exempt due to the institutional characteristics of the Fund.



During the year ended 31 December 2021, our activities were inspired by the legal provisions and the Rules of Conduct of the Board of Statutory Auditors issued by the Association of Chartered Accountants of the Republic of San Marino.

During the supervisory activity, no further significant events emerged that would require mention in the following report.

The Board of Statutory Auditors acknowledges that it has conferred with the Audit Firm and linked up with the latter on the activities within their respective competence: no significant aspects emerged which called for specific analyses and on the assessments carried out we did not receive any report on the existence of objectionable facts.

We supervised compliance with the law, the correct preparation of the Statement of Operations, the Regulation of the Guarantee Fund for Depositors and compliance with the principles of proper administration and in this regard we have no observations.

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

We acquired information from the Management Body on the overall performance of operations and on the outlook, as well as on the most significant transactions, owing 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 were able to verify that the actions resolved and implemented comply with the law and the Regulation and that there were no imprudent, risky or potentially conflicting events.

We acquired knowledge and monitored, for matters within our competence, the adequacy and functioning of the accounting-administrative system, its reliability in correctly representing operating events, by obtaining information from the managers of the management body and the auditor, and in this regard we have no particular observations to report.

Insofar as it may be necessary, it is acknowledged that the Board of Statutory Auditors was not aware of any decisions by the competent bodies that did not comply with the regulations of the Central Bank and the provisions of the law.

During the supervisory activity, no further significant events emerged that would require mention in the following report.

The Statement was approved by the Governing Council at today's meeting and at the same time were made available to the Board of Statutory Auditors, and therefore the

undersigned represents that it waived the deadline set forth in Art. 83, paragraph 1 of Law No. 47 dated 23 February 2006 (Company Law).

The Board of Statutory Auditors acknowledged the Report of the Audit Firm appointed by the Shareholders' Meeting, dated 6 May 2022 and received today, which expresses the following opinion in its conclusions: *"the statement of operations gives a true and fair view of the assets and liabilities, and financial position of the Fund as at 31 December 2021 and of the profit or loss for that period, in accordance with Regulation No. 2007-06 issued by the Central Bank of the Republic of San Marino, which governs their preparation criteria"*.

In consideration of the above, taking into account that no findings or reservations have emerged, this Board of Statutory Auditors, for matters within its competence and to the best of its knowledge, believes that it expresses its opinion of compliance with the rules for drafting the Statement of Operations of the Guarantee Fund for Depositors as at 31 December 2021, which has therefore been drawn up clearly and provides a true and fair view of the equity and income situation.

Lastly, the Board of Statutory Auditors wishes to express its thanks to the entire Governing Council, to the Acting Deputy Director and to all staff, since, with their collaboration and availability, they have facilitated the understanding of the facts and the verification activities carried out.

San Marino, 6 May 2022

The Board of Statutory Auditors

Ms. Pier Angela Gasperoni

Ms. Valentina Di Francesco

Ms. Monica Zafferani



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## Audit Firm's Report on the Statement for operations for financial year 2021





**INDEPENDENT AUDITOR'S 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 CBSM REGULATION NO. 2007-06 CURRENTLY IN FORCE**

**To the Participants and guaranteed parties of the  
Guarantee Fund for Depositors**

**Opinion**

We audited the Annual Accounts of the Guarantee Fund for Depositors (hereinafter Fund), which comprises the Balance Sheet as at 31 December 2021 and the income position for the financial year then ended and the Explanatory Notes to the Annual Accounts.

In our opinion, the Annual Accounts provide a true and fair view of financial position of the Fund as at 31 December 2021 and of its economic result financial year then ended, in accordance with Regulation No. 2007-06 issued by the Central Bank of the Republic of San Marino, which governs its drafting criteria.

**Elements at the basis of the opinion**

We carried out the audit by referring to the regulatory framework of the Republic of San Marino, which governs the criteria for preparing the statement of operations and, where applicable, in compliance with International Standards of Auditing. Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the audit of the Annual Accounts" section of this report. We are independent with respect to the Fund, the Directors of the Fund appointed by the Central Bank of the Republic of San Marino as well as to the directors of the latter, in compliance with the rules and principles on ethics and independence applicable in the San Marino legal system to the audit of the annual accounts. We believe that the audit evidence we have obtained is sufficient and appropriate audit evidence to provide the basis for our opinion.

**Responsibilities of the Directors of the Fund and the Board of Statutory Auditors for the Annual Accounts**



The directors of the Central Bank of the Republic of San Marino are responsible for preparing the Annual Accounts of the Fund that provides a true and fair view in compliance with Regulation No. 2007-06 issued by the Central Bank of the Republic of San Marino, which regulates the drafting criteria and, within the terms established by law, for that part of internal control deemed necessary by the directors themselves to allow the preparation of Annual Accounts without significant errors due to fraud or unintentional behaviour or events.

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

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

### **Auditor's Responsibilities for the audit of the Annual Accounts**

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

As part of the audit carried out in accordance with the legislation in force in the Republic of San Marino and, where applicable, with International Standards on Auditing, we exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:



- we identified and assessed the risks of significant errors in the Annual Accounts, due to fraud or unintentional behaviour or events; we defined and performed audit procedures in response to these risks; we have obtained sufficient and appropriate audit evidence on which to base our judgement. The risk of not identifying a significant error due to fraud is higher than the risk of not identifying a significant error arising from unintentional behaviour or events, since fraud may imply the existence of collusion, forgery, intentional omissions, misleading representations or forcing or internal auditing forcing;
- we acquired a relevant understanding of internal control for auditing purposes in order to define appropriate circumstances audit procedures and not to express an opinion on the effectiveness of the internal control of the Fund and of the Central Bank of the Republic of San Marino;
- we assessed the appropriateness of the accounting principles used as well as the reasonableness of the accounting estimates made by the directors, including the related disclosures;
- we reached a conclusion on the appropriateness of the use of the business continuity assumption by the directors and, based on the audit evidence, on the presence of significant uncertainty regarding events or circumstances that may give rise to significant doubts about the Fund's ability to continue to operating as an operating entity. In the presence of significant uncertainty, we are required to draw attention in the audit report to the related disclosure, or, if such disclosure are inadequate, to reflect this fact in the formulation of our judgement. Our conclusions are based on the audit evidence obtained up to the date of this report. However, subsequent events or circumstances may result in the Fund ceasing to operate as an operating entity;
- we assessed the presentation, structure and content of the Annual Accounts as a whole, including the disclosure, and whether the Annual Accounts represent the underlying transactions and events in order to provide a correct representation.

We informed those responsible for governance activities of the Fund, identified at an appropriate level, among other aspects, of the scope and timing planned of the audit and the significant results that emerged.

San Marino, 6 May 2022

SOLUTION S.r.l.

Marco Stolfi  
Chairman of the Board of Directors



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