

BANCA  CENTRALE
DELLA REPUBBLICA DI SAN MARINO

Annual Report

2016



Annual Report 2016



BANCA CENTRALE DELLA REPUBBLICA DI SAN MARINO
CENTRAL BANK OF THE REPUBLIC OF SAN MARINO
Publicly and privately owned entity
Economic Operator Code SM04262 – Endowment fund 12,911,425.00 Euro fully paid up

Registered office – Via del Voltone, 120 – 47890 San Marino – Republic of San Marino
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Governing Bodies of the Central Bank of the Republic of San Marino

Governing Council	
Wafik Grais	Chairman
Silvia Cecchetti	Member
Francesco Mancini	Member
Aldo Simoncini	Member
Fabio Zanotti ¹	Member

Board of Statutory Auditors	
Fabio Rossi	Chairman
Luca Marcucci	Statutory Auditor
Sandy Concetta Stefanelli	Statutory Auditor

Directorate General	
Lorenzo Savorelli ²	Director General
Daniele Bernardi	Deputy Director General

Supervision Committee	
Lorenzo Savorelli ³	Chairman
Mirella Sommella ⁴	External Inspector
Filippo Siotto ⁵	Inspector
Ugo Granata ⁶	External Inspector

Data as at 31 December 2016

¹ Office held since 18/07/2016

² Office held since 17/03/2016

³ Office held since 17/03/2016

⁴ Office held since 12/09/2016

⁵ Office held since 29/09/2016

⁶ Office held since 14/10/2016





Governing Council Report on 2016 Management





Dear Shareholders,

the main data and economic-equity indicators pertaining to 2016 management are summarized in the table below.

	2016	2015	Variations	
			Absolute	%
Balance Sheet Totals	463,910,538	384,671,925	79,238,613	20.60%
Inter-bank loans	94,966,846	57,616,440	37,350,406	64.83%
Loans to customers	50,012,448	56,018,721	-6,006,273	-10.72%
Bonds and other debt financial instruments	296,150,012	253,592,864	42,557,148	16.78%
Shares, quotas and other capital financial instruments	4,300	3,630	670	18.46%
Shareholdings	0	0	0	0%
Debts with banks	298,028,098	203,748,165	94,279,933	46.27%
Debts with customers	82,179,308	95,191,725	-13,012,417	-13.67%
Debts represented by financial instruments	0	0	0	0%
Net Equity ¹	75,638,636	77,812,157	-2,173,521	-2.79%
Money management margin	1,018,101	1,988,510	-970,409	-48.80%
Profits and losses from financial operations	2,635,551	559,201	2,076,350	371.31%
Financial management margin	3,653,652	2,547,711	1,105,941	43.41%
Gross contribution margin	6,384,389	5,265,988	1,118,401	21.24%
Gross operating margin	-2,174,904	-3,419,685	1,244,781	36.40%
Operating loss	-2,173,521	-3,392,725	1,219,204	35.94%

¹: Total includes the Endowment Fund, Reserves, the Fund for General Banking Risks and the Economic Result for the financial year.

From the up-to-date information entered in the table and referring to 31/12/2016 and 31/12/2015, what emerges first is that the balance sheet total assets have increased in the last financial year by 79.2 million Euro, moving from 384.7 million Euro to 463.9 million Euro.

With reference to the balance sheet elements, we report a significant increase in the collection originating from the banking system (94.28 million Euro, 46.3%) which went from 203.75 million Euro in 2015 to 298.03 million Euro in 2016, and a drop in the collection from clients (-13.01 million Euro, -13.7%), decreased from 95.19 million Euro in 2015, to 82.18 million Euro in 2016.

As evidenced in the specific Section of the Notes to the Financial Statements, the aforementioned increase in the collection from banks reflects the possibility for such banks to avail themselves, from the Central Bank, of interest bearing term deposits and of on demand current account deposits with no negative interest applied, and thus the value of such deposits registered an increase.

As regards the loans, in the assets side, it should be noted that both inter-bank loans and the amount of financial instruments included in the portfolio increased by approximately 79.91 million Euro in aggregate, up from 311.21 million Euro to 391.12 million Euro. Specifically, the former increased by 37.35 million Euro (64.8%) whereas the latter increased by 42.56 million Euro (16.8%). The aforementioned changes, resulting from the increase of the direct funding mentioned



above, also reflect some strategic portfolio decisions linked to liquidity needs and the trend in interest rates.

Loans to customers, on the other hand, registered a drop of approximately -6.01 million Euro (-10.7%), down from 56.02 million Euro in 2015 to 50.01 million Euro in 2016; this change mainly reflects the regular repayment of the credit lines granted.

On 31/12/2016 the Net Equity of the Bank, comprised of the Endowment Fund, Reserves, the Fund for General Banking Risks and the Economic Result, decreased by -2.17 million Euro, reflecting a loss registered in 2016.

By contrast, an examination of the income indicators that emerge from the Reclassified Profit and Loss Account Statement, highlights, in the first place, the money management margin, of 1.02 million Euro, showing a substantial drop of 0.97 million Euro (-48.8%) compared to 2015.

As regards the value of the components of such margin, there is a decrease in interest received (an aggregate of Euro - 888.83; - 43.57%), collected with reference to inter-bank loans, loans to customers and debt securities in the portfolio; these changes mainly reflect the continuation, in 2016, of the contraction of market interest rates, which also resulted in the application, in several accounts, of negative interest rates or rates equal to zero.

Moreover, an increase in interest paid was registered (Euro 81.579; 158.40%), especially as regards those related to debts with banks; this increase is mainly due to increased operations, in 2016, related to term deposits of funding.

Net Profits from Financial Operations, equal to 2.64 million Euro (in 2015 they amounted to 0.56 million Euro) registered, compared to the previous financial year, a considerable increase of 2.08 million Euro. In details, this increase mainly reflects the greater profit from trading registered in the securities segment, for 1.22 million Euro, and a difference between capital gains and losses, resulting from the measurement as at 31/12/2016 which is not as negative as that registered in the previous financial year equal to 0.88 million Euro (the aforementioned difference is negative and equal to -230,729 Euro, whereas in 2015 it was equal to -1,109,758 Euro).

As a consequence, the financial management margin is greater compared to that of 2015 by 43.4% (by 1.1 million Euro); in fact, it went up from 2.55 million Euro to 3.65 million Euro.

In 2016, the expansionary actions of the ECB continued, focused on achieving the purpose of preventing the potentially deflationary evolution of the economy and bringing the inflation rate to the set target of 2%.

In March 2016, the ECB further reduced the "Deposit Facility" rate to -0.40%, from -0.30% of the previous period. Such expansionary actions pushed the short and medium term rates of the Euro further down.

Euribor rates for periods of up to 12 months are all negative, with the three-month Euribor parameter, which represents the index parameter of the coupons of a considerable portion of the securities portfolio of the CBSM, down from -0.13% at the beginning of the year to -0.32% at the end of 2016. The twelve-month Euribor parameter also followed a similar trend, down from +0.06% at the beginning of the year to -0.08% on 31 December 2016. This trend also extended to the yields of the benchmark securities of the Euro area; all German government bonds of the different maturities registered, at the end of the year, lower yields compared to the beginning of the year; this trend, however, was more evident for maturities of up to 5 years.

The long term part of the yields was also influenced by the monetary policies of the Federal Reserve that, after an initial increase in interest rates in December 2015, adopted a less expansionary approach because of the progress in the labour market in the USA, which is once again at levels that are regarded as "full employment". This convinced the Governor, Ms Yellen, to increase Federal Funds rates in December 2016, after deferring such decision for a long time, waiting for economic data that would confirm the strength of the economic recovery and also in



order not to influence the presidential campaign in November. The ten-year US Treasury, which clearly reflects the change in the approach of the US monetary policy, showed decreasing yields in the first part of 2016, down from 2.25% at the beginning of the year to 1.35% in July, and then started to go up again and ended the year in excess of 2.40%, following the increase in interest rates made by the FED. The performance of the ten-year German bond, in spite of the expansionary policies of the ECB, was influenced by its US equivalent, with a yield of 0.56% in January, and later dropped to a negative yield of -0.19% in July and ended the year up again to +0.21%.

The trend of the yield of Italian national debt certificates, represented by the indicator of the spread differential with the ten-year German bond, constantly increased during the year; the spread, in fact, went up from a level of approximately 100 basis points in January to 160 bp at year end.

As regards the trend of the credit spreads, as evidenced by the ITRX indicator, which incorporates the performance of the credit spread of the 125 most representative European issuers, such trend was influenced by the performance of the equity markets, which registered a phase of significant drop in the first two months of the year, pushed down by the fears of a slow-down in the Chinese economy and the worries about the quality of the assets of the European Banking System.

Going back to the data of the Financial Statements, as regards the gross contribution margin, amounting to 6.38 million Euro, there is, compared to 2015, an increase of 1.12 million Euro (21.2%). Said increase is substantially similar to that recorded by the financial management margin; in fact, as evidenced by the Reclassified Profit and Loss Account diagram, the other proceeds/operating costs positively influenced the components of the economic result for net 2.73 million Euro, close to the result of 2015 (2.72 million Euro).

As regards the other operating proceeds, it should be noted that the main income element is comprised of the revenues related to services rendered to the Public Administration. As explained in the Section of the Notes to the Financial Statements concerning the Commissions, since the agreement on the amount of the remuneration payable expired on 31/12/2015 and for the three-year period 2016/2018 it is yet to be defined, the value registered in 2016 as regards the income element in question represents an estimate.

The ordinary operating margin shows, in 2016, a negative value of -2.2 million Euro, whereas in 2015 this negative value was equal to -3.42 million Euro; the gross contribution margin, greater than that of 2015, as mentioned above, was not sufficient, however, to cover the negative balance between general costs, value adjustments/recoveries on receivables and other proceeds, in spite of an absolute value lower than that of the previous financial year (-8.58 million Euro in 2016 and -8.69 million Euro in 2015).

In detail, of the items of the profit and loss account, compared to 2015:

- labour costs (excluding directors and statutory auditors) decreased by 0.13 million Euro (-1.71%). Of these costs, miscellaneous personnel costs decreased by -22.61%;
- other costs increased by 1.53 million Euro (47.09%). This item also includes the fees related to the project "Asset Quality Review for the Banking System";
- other proceeds, including the recovery of sums levied from supervised parties and other types of recoveries of expenses, increased by 1.58 million Euro (61.20%).

In 2016, provisions were made to the Risks and Costs Funds for 160,000 Euro; specifically, 60,000 Euro to the fund for costs for extraordinary proceedings, which was fully used during the year, and 100,000 Euro to the fund for legal proceedings, which refers to a labour dispute opened during the financial year.

The extraordinary operating balance contributes for 177,383 Euro to the economic result, which, absent any changes in the Fund for general banking risks, is equal to -2,173,521 Euro.



For a broader representation of operations, and an explanation of the equity/economic situation, and of the organisational profile of the Bank, reference should be made to the Annual Report of the Central Bank to the Great and General Council.

Significant events which occurred after the closure of the financial year

As regards significant events occurred after the closure of the financial year, it is worth noting that, pursuant to art. 78 of the Law no. 165 of 17 November 2005, in 2017 an extraordinary administration proceeding was started against Asset Banca S.p.A. The latter is a member of the Central Bank for a share of 2% of the Endowment Fund and holds several accounts with the Central Bank itself.

Dear Shareholders,

the Governing Council, in compliance with the provisions of art. 23 of the Statutes, proposes to cover the operating loss, equal to 2,173,521 Euro, through the ordinary reserve.

The net equity of the Central Bank, following approval of the Financial Statements and of the decision to cover the loss, will be as follows:

	Euro
Endowment Fund	12,911,425
Ordinary Reserve Fund	1,274,013
Extraordinary Reserve Fund	9,627,277
Fund for General Banking Risks	51,825,921
Other Equity Reserves	0
Total Net Equity	75,638,636

Dear Shareholders,

The Governing Council's Report on 2016 Financial Statements was read and submitted for approval on 31 May 2017.

On behalf of the Governing Council – following the reading of the Board of Statutory Auditors Report – your approval is requested of the Financial Statements as a whole, pursuant to the laws currently in force, as well as to the procedures for covering the loss.

Heartfelt thanks are due to the Directorate General and all staff for their hard work in favour of the Bank, as well as to the Board of Statutory Auditors for its members' participation at Governing Council meetings.

Finally, thanks are extended to the Shareholders, the Authorities of the Republic of San Marino and its Public Administration for the level of cooperation demonstrated.

San Marino, _____





2016 Financial Statements







Balance Sheet Assets

	2016		2015	
1. CASH AND AVAILABLE EQUIVALENTS		10,006,573		10,256,469
2. INTER-BANK LOANS		94,966,846		57,616,440
a) on demand credits	94,966,846		57,616,440	
b) other credits	0		0	
3. LOANS TO CUSTOMERS		50,012,448		56,018,721
a) on demand credits	203,772		210,544	
b) other credits	49,808,676		55,808,177	
4. BONDS AND OTHER DEBT FINANCIAL INSTRUMENTS		296,150,012		253,592,864
a) issued by public institutions	33,883,557		30,737,476	
b) issued by banks	181,474,174		143,972,439	
c) issued by financial institutions (undertakings)	42,064,687		47,248,264	
d) issued by other institutions	38,727,594		31,634,685	
5. SHARES, QUOTAS AND OTHER CAPITAL FINANCIAL INSTRUMENTS		4,300		3,630
6. SHAREHOLDINGS		0		0
a) financial undertakings	0		0	
b) non-financial undertakings	0		0	
7. SHAREHOLDINGS IN UNDERTAKINGS OF THE GROUP		0		0
a) financial undertakings	0		0	
b) non-financial undertakings	0		0	
8. INTANGIBLE FIXED ASSETS		952,056		391,248
a) financial leasing	0		0	
b) assets pending leasing	0		0	
- of which assets resulting from terminated leasing agreements	0		0	
of which for breach of the lessee	0		0	
c) goodwill	0		0	
d) other intangible fixed assets	952,056		391,248	
9. TANGIBLE FIXED ASSETS		3,955,084		4,077,849
a) financial leasing	0		0	
b) assets pending financial leasing	0		0	
- of which assets resulting from terminated leasing agreements	0		0	
of which for breach of the lessee	0		0	
c) real estate property	3,784,813		3,973,959	
d) other tangible fixed assets	170,271		103,890	
10. SUBSCRIBED CAPITAL NOT PAID IN		0		0





	2016		2015	
11. OWN SHARES OR QUOTAS		0		0
12. OTHER ASSETS		7,768,303		2,659,980
13. ACCRUED REVENUES AND DEFERRED EXPENSES		94,916		54,724
a) accrued revenues	0		0	
b) deferred expenses	94,916		54,724	
TOTAL ASSETS		463,910,538		384,671,925





Balance Sheet Liabilities

	2016		2015	
1. DEBTS WITH BANKS		298,028,098		203,748,165
a) on demand debts	164,627,749		86,891,861	
b) term or notice debts	133,400,349		116,856,304	
2. DEBTS WITH CUSTOMERS		82,179,308		95,191,725
a) on demand debts	82,179,308		95,191,725	
b) term or notice debts	0		0	
3. DEBTS REPRESENTED BY FINANCIAL INSTRUMENTS		0		0
a) bonds	0		0	
b) certificates of deposit	0		0	
c) other financial instruments	0		0	
4. OTHER LIABILITIES		7,359,184		7,364,706
- of which cheques in circulation and other securities	460,082		553,263	
5. ACCRUED EXPENSES AND DEFERRED REVENUES		64,493		0
a) accrued expenses	0		0	
b) deferred revenues	64,493		0	
6. STAFF RETIREMENT ALLOWANCES		540,819		555,172
7. FINANCIAL RISKS AND COSTS FUNDS		100,000		0
a) retirement and similar costs funds	0		0	
b) tax fund	0		0	
c) other funds	100,000		0	
8. FUND FOR CREDIT RISKS		0		0
9. FUND FOR GENERAL BANKING RISKS		51,825,921		51,825,921
10. SUBORDINATED LIABILITIES		0		0
11. ENDOWMENT FUND		12,911,425		12,911,425
12. SHARE PREMIUM		0		0
13. RESERVES		13,074,811		16,467,536
a) ordinary reserves	3,447,534		6,840,259	
b) reserve for own shares	0		0	
b) extraordinary reserves	9,627,277		9,627,277	
c) other reserves	0		0	
14. REVALUATION RESERVES		0		0





	2016		2015	
15. PROFITS (LOSSES) CARRIED FORWARD		0		0
16. OPERATING PROFIT (LOSS)		-2,173,521		-3,392,725
TOTAL LIABILITIES		463,910,538		384,671,925





Guarantees and Commitments

	2016	2015
GUARANTEES ISSUED		
of which:		
a) acceptances	0	0
b) other guarantees	6,699,648	7,307,673
COMMITMENTS		
of which:		
a) for certain use	244,846	213,382
- <i>of which</i> : financial instruments	0	0
b) for uncertain use	0	0
- <i>of which</i> : financial instruments	0	0
c) other commitments	0	0
TOTAL	6,944,494	7,521,055



Profit and Loss Account

	2016	2015
1. INTEREST RECEIVED AND OTHER PROCEEDS	1,151,182	2,040,012
a) on inter-bank loans	-289,146	-30,182
b) on loans to customers	200,810	351,244
c) on debt securities	1,239,518	1,718,950
2. INTEREST PAID AND OTHER COSTS	-133,081	-51,502
a) on debts with banks	-132,338	-1,382
b) on debts with customers	-743	-50,120
c) on debts represented by securities	0	0
- of which on subordinated liabilities	0	0
3. DIVIDENDS AND OTHER PROCEEDS	0	0
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
4. COMMISSIONS EARNED	2,834,477	2,831,893
5. COMMISSIONS PAID	-136,152	-146,069
6. PROFITS (LOSSES) FROM FINANCIAL OPERATIONS	2,635,551	559,201
7. OTHER OPERATING PROCEEDS	4,226,267	2,633,202
8. OTHER OPERATING COSTS	-125,039	-103,449
9. ADMINISTRATIVE COSTS	-12,155,854	-10,771,424
a) labour costs	-7,710,755	-7,878,683
aa) wages and salaries	-4,930,928	-4,858,675
ab) pension contributions	-1,415,205	-1,411,992
ac) staff retirement allowances	-576,074	-616,898
ad) severance and indemnity-related liabilities	0	0
ae) directors and statutory auditors	-222,959	-260,292
af) other labour costs	-565,589	-730,826
b) other administrative costs	-4,445,099	-2,892,741
10. VALUE ADJUSTMENTS ON INTANGIBLE FIXED ASSETS	-230,901	-141,972
11. VALUE ADJUSTMENTS ON TANGIBLE FIXED ASSETS	-254,641	-256,089
12. PROVISIONS FOR FINANCIAL RISKS AND COSTS	-160,000	0
13. PROVISIONS TO THE CREDIT RISKS FUNDS	0	0
14. VALUE ADJUSTMENTS ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS	-12,411	-22,491
15. VALUE RECOVERIES ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS	9,701	9,089
16. VALUE ADJUSTMENTS ON FINANCIAL FIXED ASSETS	0	0





	2016	2015
17. VALUE RECOVERIES ON FINANCIAL FIXED ASSETS	0	0
18. PROFIT (LOSS) ON ORDINARY ACTIVITIES	-2,350,901	-3,419,599
19. EXTRAORDINARY PROCEEDS	185,445	47,273
20. EXTRAORDINARY COSTS	-8,065	-20,399
21. EXTRAORDINARY PROFIT (LOSS)	177,380	26,874
22. INCOME TAX FOR THE FINANCIAL YEAR	0	0
23. VARIATION TO THE FUND FOR GENERAL BANKING RISKS	0	0
24. OPERATING PROFIT (LOSS)	-2,173,521	-3,392,725



Reclassified Profit and Loss Account

	2016	2015
1. INTEREST RECEIVED	-88,336	321,062
1.1 from customers	200,810	351,244
1.2 from banks	-289,146	-30,182
1.2.1 current account and on demand deposits	-289,146	-30,182
1.2.2 term deposits and repurchase agreements	0	0
1.2.3 other interest	0	0
2. INTEREST ON SECURITIES	1,239,518	1,718,950
3. DIVIDENDS AND OTHER PROCEEDS	0	0
4. INTEREST PAID	-133,081	-51,502
4.1 to customers	-743	-50,120
4.1.1 current account and on demand deposits	-743	-50,120
4.1.2 term deposits and repurchase agreements	0	0
4.2 to banks	-132,338	-1,382
4.3 other assimilated interest and costs	0	0
A. MONEY MANAGEMENT MARGIN	1,018,101	1,988,510
5. PROFITS FROM FINANCIAL OPERATIONS	3,434,541	1,831,681
6. FINANCIAL OPERATION COSTS	-798,990	-1,272,480
B. FINANCIAL MANAGEMENT MARGIN	3,653,652	2,547,711
7. OTHER OPERATING PROCEEDS	2,887,308	2,876,147
7.1 proceeds from securities management	31	81
7.2 proceeds from foreign currency management	0	0
7.3 other proceeds	2,887,277	2,876,066
8. OTHER OPERATING COSTS	-156,571	-157,870
8.1 securities management costs	-44,884	-41,133
8.2 foreign currency management costs	0	0
8.3 other costs	-111,687	-116,737
C. GROSS CONTRIBUTION MARGIN	6,384,389	5,265,988
9. OTHER PROCEEDS	4,173,436	2,588,949
of which: from rounding off in Euro units	0	1
10. LABOUR COSTS	-7,487,796	-7,618,391
10.1 clerical	-3,432,205	-3,359,140
10.2 management and officers	-1,498,723	-1,499,535
10.3 pension contributions	-1,415,205	-1,411,992
10.4 provision to employee retirement fund	-576,074	-616,898
10.5 miscellaneous personnel costs	-565,589	-730,826
11. DEPRECIATION AND PROVISIONS COSTS	-485,542	-398,061





	2016	2015
12. OTHER COSTS	-4,772,681	-3,244,681
of which: from rounding off in Euro units	3	0
13. VALUE ADJUSTMENTS ON CREDITS	-12,411	-22,491
14. VALUE RECOVERIES ON CREDITS	9,701	9,089
D. ORDINARY OPERATING MARGIN	-2,190,904	-3,419,598
15. EXTRAORDINARY OPERATING PROCEEDS	16,000	2
16. EXTRAORDINARY OPERATING COSTS	0	-89
E. GROSS OPERATING MARGIN	-2,174,904	-3,419,685
17. WINDFALL PROCEEDS	169,445	47,270
18. WINDFALL COSTS	-8,062	-20,310
F. PRE-PROVISIONS PROFITS	-2,013,521	-3,392,725
19. PROVISIONS FOR FINANCIAL RISKS AND COSTS	-160,000	0
20. PROVISION TO THE FUND FOR GENERAL BANKING RISKS	0	0
21. USE OF MISCELLANEOUS FUNDS	0	0
G. PRE-TAX PROFITS	-2,173,521	-3,392,725
22. INCOME TAXES	0	0
H. NET PROFIT	-2,173,521	-3,392,725



Notes to the Financial Statements





Structure and Contents of the Financial Statements

PART A – VALUATION CRITERIA

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

Structure and Contents of the Financial Statements

The 2016 Financial Statements have been drawn up in accordance with the laws currently in force, in particular according to Law 96 of 29 June 2005 (Statutes of the Central Bank of the Republic of San Marino), Law no. 165/2005 (LISF) and Law no. 47 of 23 February 2006 (Companies Law) as subsequently amended and supplemented.

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

The Balance Sheet and the Profit and Loss Account were drawn up according to the templates defined by CBSM Regulation no. 2008/02, as updated by Regulation 2015/01. As for the previous financial year, the Notes to the Financial Statements were prepared using the provisions of the aforementioned Regulation as reference, and taking also into account the peculiarities typical of the activity of a Central Bank.

Furthermore, the Statement of Financial Conditions (Part D – Other Information) was attached to the Notes to the Financial Statements.

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 Financial Statements 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 individual items of the Financial Statements, it should be noted that such items are expressed in units of Euro, obtained by rounding off the corresponding sum in decimals, that is, by the sum of the rounded-off totals where sub-items are concerned.

The differences generated in such accounting practice are to be considered as off-balance sheet differences and have been included within the Financial Statements amongst the “Other Assets/Liabilities” and the “Extraordinary Proceeds/Costs” entry in the Profit and Loss Account; this is per the general criteria for drawing up bank financial statements.



Section 1 - Illustration of the Valuation Criteria

The 2016 Financial Statements have been drawn up in accordance with the general accounting principles of prudence, pertinence and continuity.

CASH AND CASH EQUIVALENTS

These are shown at face value, which corresponds to their presumed monetary value.

CREDITS

- Inter-bank loans: these have been shown at face value, corresponding to their presumed monetary value; this also includes the share of interest accrued and matured on the closing date of the financial year.

- Loans to customers: these appear at their presumed monetary value, corresponding to their face value, including the share of interest accrued and matured on the closing date of the financial year.

- Other credits (contained in "Other Assets"): other credits are shown at their presumed monetary value, usually corresponding to their face value.

An exception is represented by the credits for the recovery of sums levied from supervised parties, which are shown at their presumed monetary value, net of value adjustments, corresponding to the share deemed as not recoverable. The fund for the devaluation of credits was filled in by considering the analytical devaluation deriving from alleged losses on these credits.

BONDS AND OTHER DEBT FINANCIAL INSTRUMENTS

The Securities portfolio as at 31/12/2016 is entirely composed of securities held for trading that are valued at the market value as at the last business day of the financial year, supplied by the appointed provider of investment services. An additional internal assessment was carried out on such values, for prudential purposes, based on the prices taken from information providers.

The difference between the book value of the individual security and its market value is recognised in the Profit and Loss Account under item "Profits (losses) from financial operations".

SHARES, QUOTAS AND OTHER CAPITAL FINANCIAL INSTRUMENTS

There is only one share, in relation to which, as there is no market price, reference is made to the value notified by the issuer.

SHAREHOLDINGS

There are no shareholdings as at 31/12/2016.

ASSETS AND LIABILITIES IN FOREIGN CURRENCY

The assets and liabilities denominated in foreign currencies appear in Euro, based on the European Central Bank's exchange rate bulletin dated 30/12/2016.

TANGIBLE FIXED ASSETS

These have been entered at their purchase price, inclusive of any accessory costs. In 2016, no devaluations and/or re-valuations were carried out on their value.

The cost of fixed assets is depreciated, taking into account the useful residual life of the assets, based on the percentages provided for also by current legislation on taxation (Law no. 166 of 16/12/2013 as subsequently amended).



INTANGIBLE FIXED ASSETS

These are shown at their purchase price, including all accessory costs.

They include:

- software programmes depreciated based on depreciation plans with a maximum duration of 5 years and depreciation percentages consistent with the fiscal legislation (Law no. 166 of 16/12/2013 as subsequently amended);
- current intangible fixed assets and related multi-year costs on third party assets, with reference to which no amortisation has been carried out yet;
- other multi-year costs.

Multi-year costs were recognised in the Financial Statements with the specific approval of the Board of Statutory Auditors.

DEBTS

These are shown at their face value, and also include the interest accrued (if any) as at the closing date of the financial year.

ACCRUED REVENUES AND DEFERRED EXPENSES

These items include the shares of costs and proceeds which are common to two or more balance sheets, in observation of the accounting principle of temporal pertinence.

STAFF RETIREMENT ALLOWANCES

This item illustrates the entire amount of the benefit accrued during the year by employees, pursuant to the laws and labour contracts currently in force.

FINANCIAL RISKS AND COSTS FUNDS

They are established for the purpose of covering certain or likely losses or debts, for which, however, at the end of the financial year the amount or occurrence day could not be determined.

There is no "tax fund" given that the Statutes of the Central Bank's set out that profits are exempt from General Income Tax.

FUND FOR GENERAL BANKING RISKS

The fund was set up to cover general business risks and, therefore, constitutes net equity. The amount of any variation in this item is entered under this specific title in the Profit and Loss Account.

GUARANTEES AND COMMITMENTS

The guarantees issued have been entered at the value corresponding to the relative commitment undertaken or guaranteed. The commitments related to delivery of foreign currencies are entered at the price that was contractually agreed upon with the other party.

Section 2 – Adjustments and Provisions

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



Assets

1 Cash and cash equivalents (item 1)

Table 1.1: detailed breakdown of item 1 "Cash and cash equivalents"

	31/12/2016	31/12/2015	Variations	
			Amount	%
Cash	10,006,573	10,256,469	-249,896	-2.44%
Total	10,006,573	10,256,469	-249,896	-2.44%

The vault cash is comprised of Euro-denominated notes and coins for a value of 10,005,907 Euro, including the cash available at the company used to perform the centralised cash management services and a cash fund for 200 Euro created at the Single Court of San Marino for legal notification expenses; it also includes foreign currencies for an equivalent of 666 Euro.

2 Inter-bank loans (item 2)

Table 2.1: detailed breakdown of item 2 "Inter-bank loans"

Category/Amounts	31/12/2016		31/12/2015		Variations	
	In Euro	In foreign currency	In Euro	In foreign currency	Amount	%
A) On demand credits:	94,790,453	176,393	57,094,498	521,942	37,350,406	64.83%
A1. current accounts	93,929,800	176,393	55,163,197	430,417	38,512,579	69.28%
A2. Mutual accounts opened for services rendered	860,653	0	1,931,301	0	-1,070,648	-55.44%
A3. other technical forms	0	0	0	91,525	-91,525	-100%
B) Other credits	0	0	0	0	0	0%
B1. current accounts	0	0	0	0	0	0%
B2. term deposits	0	0	0	0	0	0%
B3. Repurchase agreements and repos	0	0	0	0	0	0%



B4. others	0	0	0	0	0	0%
Totals	94,790,453	176,393	57,094,498	521,942	37,350,406	64.83%
Overall Total	94,966,846		57,616,440			

Interest accrued and matured as at the end of the financial year on inter-bank loans, amounting to -34,942 Euro, is included in the item "On demand credits" broken down in the relevant categories.

Inter-bank loans as at 31/12/2016 register an increase of 65% compared to 31/12/2015. Given the increase in direct funding, such increase reflects only some strategic portfolio decisions linked to liquidity needs and the trend in interest rates.

There are no value adjustments as regards inter-bank loans.

Table 2.2: composition of "Inter-bank loans" based on residual life.

MATURITY	31/12/2016	31/12/2015
On demand credits	94,966,846	57,616,440
From more than 1 day to 3 months	0	0
From 3 to 6 months	0	0
From 6 months to 1 year	0	0
From 1 year to 18 months	0	0
From 18 months to 2 years	0	0
From 2 years to 5 years	0	0
More than 5 years	0	0
Without maturity	0	0
Total	94,966,846	57,616,440

About the residual life of the inter-bank loans, as also shown in table 2.2, as at 31/12/2016, there are only on demand credits.



Table 3.1: detailed breakdown of item 30 "Loans to customers".

Category/Amounts	31/12/2016		31/12/2015		Variations	
	In Euro	In foreign currency	In Euro	In foreign currency	Amount	%
A) On demand/until revoked	203,772	0	210,544	0	-6,772	-3.22%
A1. current accounts	203,772	0	210,544	0	-6,772	-3.22%
A2. others	0	0	0	0	0	0%
B) Other credits	49,808,676	0	55,808,177	0	-5,999,501	-10.75%
B1. current accounts	47,542,018	0	52,574,693	0	-5,032,675	-9.57%
B2. Repurchase agreements and repos	0	0	0	0	0	0%
B3. other loans	2,266,658	0	3,233,484	0	-966,826	-29.90%
Totals	50,012,448	0	56,018,721	0	-6,006,273	-10.72%
Overall Total	50,012,448		56,018,721			

For the purpose of comparing the data, the value for the financial year 2015 of the sub-items "on demand" and "other credits" was recalculated, since, in 2016, an accounting reclassification was carried out regarding the loan for an original amount of 60 million Euro disbursed to the Public Administration in 2012, detailed below. Specifically, this credit was shifted from the category "On demand – current accounts" to the category "Other credits – current accounts", since this latter category is considered to be more appropriate to represent its technical nature.

"Loans to customers" mainly refer to credit positions towards the Public Administration and, to a minimum extent, to credits to the employees of the Central Bank. The change in this item from the previous financial year mainly reflects the decrease following the regular repayment of the credit lines granted.

The "interest to be debited to customers", accrued and matured as at the end of the financial year, amounting to 42,334 Euro, is included in the "On demand credits - current accounts" and "Other credits – current accounts" items.

Specifically, the "Other credits - current accounts" item includes a loan for 60 million Euro disbursed to the Most Excellent Chamber and opened in December 2012, to be repaid starting from 30/11/2014 and expiring on 31/05/2020. On 26 November 2014, the maturity of said loan as at 30/06/2026 was extended, and consequently the repayment instalments were halved to 2.5 million Euro, whereas the first instalment was cashed on 31/12/2014.

As at 31/12/2016, the residual credit is equal to 47.5 million Euro.



“Other credits-other loans” relate to the residual credit of a loan granted to the Public Administration (1 million Euro) and to loans disbursed to CBSM employees (mortgage loans for 1.2 million Euro).

In relation to these latter loans, the Bank received mortgage guarantees from its employees amounting to 2,409,312 Euro and sureties amounting to 204,048 Euro, as shown in table 3.2 below. For the loan to the Public Administration, conversely, restrictions were placed on the availability on current account amounting to 1 million Euro.

Table 3.2: Secured loans to customers.

	31/12/2016	31/12/2015	Variations	
			Amount	%
A) From mortgages:	2,409,312	2,397,275	12,037	0.50%
B) From liens on:	0	0	0	0%
1. cash deposits	0	0	0	0%
2. securities	0	0	0	0%
C) From guarantees of:	204,048	204,048	0	0%
1. Countries	0	0	0	0%
2. other public entities	0	0	0	0%
3. banks	0	0	0	0%
4. other financial undertakings	0	0	0	0%
5. other operators	204,048	204,048	0	0%
Total	2,613,360	2,601,323	12,037	0.46%

It should be noted that table 3.2 does not include the amount of credits secured by collaterals and personal guarantees but, instead, the value of such existing guarantees is indicated.

These evidences refer to loans granted to employees and secured by guarantees the value of which exceeds that of such credits. These credits are sometimes characterised by the simultaneous presence of collateral and personal guarantees. At the end of 2016, the value of existing loans amounts to approximately 1.2 million, in line with the levels of 2015.

Point 5 “other operators” of letter c), contains the sureties issued by natural persons in favour of these employees.

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

There are no value adjustments as regards loans to customers.

Table 3.3: composition of "Loans to customers" based on the residual life.

MATURITY	31/12/2016	31/12/2015
On demand credits	245,745	285,121
From more than 1 day to 3 months	22,006	22,404
From 3 to 6 months	3,036,822	3,037,731
From 6 months to 1 year	3,058,824	3,059,054
From 1 year to 18 months	2,544,003	3,055,835
From 18 months to 2 years	2,544,003	3,055,706
From 2 years to 5 years	15,264,015	15,244,536
More than 5 years	23,301,674	28,280,484
Without maturity	0	0
Total	50,017,092	56,040,871

It should be noted that the total of loans to customers reported in table 3.3 above is higher than the balance sheet total assets since, for the transactions with depreciation plan (loans), reference is made to the individual instalments inclusive of interest.

A floating rate fee is received in relation to these credits. It should be noted that the above-mentioned loan to the Most Excellent Chamber of the residual value of 47.5 million Euro has been indicated, for the purposes of the above-mentioned breakdown, on the basis of the repayment plan (capital) agreed with the counterparty, although contractually it is a loan facility. The above-mentioned breakdown takes into account the new repayment plan agreed on 26 November 2014, which is described above.

Table 3.4: composition of "Loans to customers" by business sector.

	31/12/2016	31/12/2015
a) Government and public sector	48,571,705	54,634,094
b) Financial undertakings	0	0
c) Non-financial undertakings	0	0



- industry;	0	0
- construction;	0	0
- services;	0	0
- other;	0	0
d) Households	1,440,743	1,384,627
e) Others	0	0
Total	50,012,448	56,018,721

4 Bonds and other debt financial instruments; Shares, quotas and other capital financial instruments (items 4 and 5)

Table 4.1: composition of Financial Instruments held for investment and held for trading.

As at 31/12/2016		
Items/Amounts	Held for investment	Held for trading
a) Bonds and other debt financial instruments:	0	296,150,012
- issued by public institutions	0	33,883,557
- issued by banks	0	181,474,174
- issued by financial institutions (undertakings)	0	42,064,687
- issued by other institutions	0	38,727,594
b) Own shares and other capital financial instruments	0	4,300
Total	0	296,154,312

Accrued income for interest as at 31/12/2016 on the securities portfolio, equal to 181,443 Euro, is included in the item "Bonds and other debt financial instruments".

Table 4.2: detailed breakdown of "Financial Instruments held for Trading".

Items/Amounts	31/12/2016	31/12/2015
	Market values	Market value



1. Debt financial instruments	296,150,012	253,592,864
1.1 Bonds	296,150,012	253,592,864
- listed	0	0
- unlisted	296,150,012	253,592,864
1.2 Other debt financial instruments	0	0
- listed	0	0
- unlisted	0	0
2. Capital financial instruments	4,300	3,630
- listed	0	0
- unlisted	4,300	3,630
Total	296,154,312	253,596,494

The debt financial instruments held in the portfolio are securities that are not listed on a regulated market.

The item "Capital financial instruments - unlisted" is comprised only of the value of one share in the company Swift SCRL, which includes also the capital gains resulting from valuation, registered as at 31/12/2016 amounting to 670 Euro.

Table 4.3: composition of "Debt financial instruments held for trading" based on the residual life.

Residual duration of bonds	31/12/2016		31/12/2015	
	Fixed rate	Floating rate	Fixed rate	Floating rate
On demand	0	0	0	0
From 1 day to 3 months	0	8,410,869	6,143,066	11,603,037
From 3 to 6 months	0	4,971,825	0	5,856,208
From 6 months to 1 year	16,873,099	45,057,963	4,536,252	10,010,699
From 1 year to 18 months	5,033,676	38,275,265	2,019,741	12,876,806
From 18 months to 2 years	1,703,329	14,651,306	4,498,272	28,778,095



From 2 years to 5 years	34,745,353	106,785,642	23,235,420	119,970,791
More than 5 years	15,635,700	4,005,985	20,131,854	3,932,623
Without maturity	0	0	0	0
Total	73,991,157	222,158,855	60,564,605	193,028,259

Table 4.4: annual variations in "Financial instruments held for trading".

A) Opening balances	31/12/2016	31/12/2015
		253,596,494
B) Increases:	661,665,421	510,343,134
1. Purchases	657,870,738	507,848,422
- of which: debt financial instruments	657,870,738	507,848,422
- of which: capital financial instruments	0	0
2. Value recoveries and revaluations	561,842	161,349
3. Transfer from the investment portfolio	0	0
4. Other variations	3,232,841	2,333,363
C) Decreases:	619,107,603	504,386,834
1. Sales and refunds	617,720,319	502,780,383
- of which: debt financial instruments	617,720,319	502,780,383
- of which: capital financial instruments	0	0
2. Value adjustments and devaluations	792,570	1,271,106
3. Transfer from the investment portfolio	0	0
4. Other variations	594,714	335,345
D) Final balance	296,154,312	253,596,494



With reference to the above table the following should be pointed out:

Item B.1: purchases
It includes:
- issue discounts due, on the negotiation date, on non-listed fixed income securities for a total of 93,809 Euro.
Item B.2: value recoveries and revaluations
It refers to capital gains calculated in application of the valuation principle shown in Part A.
Item B.4: other variations
It includes:
- profit from securities negotiation totalling 2,997,614 Euro;
- issue discounts for 2016 totalling 53,784 Euro on non-listed fixed income securities;
- accrued revenues as at 31/12/2016 on interest on securities amounting to 181,443 Euro.
Item C.1: sales and refunds
It includes:
- issue discounts amounting to 175,049 Euro matured on the negotiation/refund date on non-listed fixed income securities.
Item C.2: value adjustments
It refers to capital losses calculated in application of the valuation principle shown in Part A.
Item C.4: other variations
It includes:
- accrued revenues as at 31/12/2015 on interest on securities amounting to 469,630 Euro;
- losses from securities negotiation totalling 125,084 Euro.

5 Transactions on own shares (item 11)

There are no own shares as at 31/12/2016, nor as at 31/12/2015.

6 Shareholdings (items 6 and 7)

There are no "Shareholdings" as at 31/12/2016, nor as at 31/12/2015.

7 Intangible fixed assets (item 8)

Table 7.1: composition of "Intangible fixed assets".

Breakdown by category	31/12/2016	31/12/2015
Software	261,624	251,216
Fixed assets under construction	135,000	135,000
Multi-year costs	555,432	5,032
Total	952,056	391,248

As regards the composition of the aforementioned item, it should be noted that:



- a. "Fixed assets under construction" refer exclusively to the development of the software of the Central Credit Register. Such fixed assets are subject to depreciation, which will be carried out once the "start-up phase" is concluded;
- b. the "Multi-year costs" include 688,000 Euro of costs related to projects for reviewing the internal organisation, governance and economic-financial balance of the Central Bank, started in 2016. The Bank, having assessed the objectives and future use of the benefits resulting from the analyses and consequent recommendations, also based on possible organisational interventions that aim, prospectively, to get a return to the economic balance, after having obtained the specific approval of the Board of Statutory Auditors to the treatment of the expenditure as intangible fixed assets, decided to capitalise such costs. In 2016, the "Multi-year Costs" in question were prudentially depreciated for the entire share of 20% (137,600 Euro).

Table 7.2: movements in item 8 "Intangible fixed assets".

Annual variations	31/12/2016	Financial leasing	Assets pending leasing	Start-up costs	Other multi-year costs
A. Opening balances	391,248	0	0	0	391,248
B. Increases	791,709	0	0	0	791,709
B1. Purchases	791,709	0	0	0	791,709
B2. Value recoveries:	0	0	0	0	0
- for creditworthiness	0	0	0	0	0
B3. Revaluations	0	0	0	0	0
B4. Other variations	0	0	0	0	0
C. Decreases	230,901	0	0	0	230,901
C1. Sales	0	0	0	0	0
C2. Value adjustments:	230,901	0	0	0	230,901
- depreciations	230,901	0	0	0	230,901
- lasting devaluations	0	0	0	0	0
- for creditworthiness	0	0	0	0	0
C3. Other decreases	0	0	0	0	0
D. Final balance	952,056	0	0	0	952,056



With reference to the above table the following should be pointed out:

Item B.1: purchases

It refers to costs incurred for purchasing software programs for 103,709 Euro and multi-year costs for 688,000 Euro related to the reviewing projects mentioned above.

8 Tangible fixed assets (item 9)

Table 8.1: composition of "Tangible fixed assets".

Breakdown by technical forms	31/12/2016	31/12/2015
Financial leasing	0	0
Assets pending financial leasing	0	0
Real estate property	3,784,813	3,973,959
Others	170,271	103,890
Total	3,955,084	4,077,849

Table 8.2: description and movements in item 9 "Tangible fixed assets".

Annual variations	31/12/2016	Financial leasing	Assets pending leasing	Real estate property	Other fixed assets
A. Opening balances	4,077,849	0	0	3,973,959	103,890
B. Increases	131,876	0	0	0	131,876
B1. Purchases	131,876	0	0	0	131,876
B2. Value recoveries:	0	0	0	0	0
- for creditworthiness	0	0	0	0	0
B3. Revaluations	0	0	0	0	0
B4. Other variations	0	0	0	0	0
C. Decreases	254,641	0	0	189,146	65,495
C1. Sales	0	0	0	0	0
C2. Value adjustments:	254,641	0	0	189,146	65,495



- depreciations	254,641	0	0	189,146	65,495
- lasting devaluations	0	0	0	0	0
- for creditworthiness	0	0	0	0	0
C3. Other decreases	0	0	0	0	0
D. Final balance	3,955,084	0	0	3,784,813	170,271

With reference to the above table the following should be pointed out:

Item B.1: purchases

This item includes the costs for the purchase of:

- furniture and furnishings totalling 3,030 Euro;
- electronic machinery totalling 29,666 Euro;
- systems and fittings totalling 10,753 Euro;
- motor vehicles totalling 88,427 Euro.

9 Other assets items (items 12-13)

Table 9.1: composition of item 12 "Other assets".

Technical type	31/12/2016	31/12/2015
Security margin	0	0
Premiums paid for options	0	0
Other	7,768,303	2,659,980
Total	7,768,303	2,659,980

"Other assets" include:

1. the credit for 2,800,000 Euro for the commissions to be collected for services rendered in 2016 to the Broader Public Administration. In 2016, the latter did not pay any amount for these services, since the relevant agreement expired on 31/12/2015 and it had not been renewed yet. For the purpose of recognising such income in the financial statements, an estimate was made, as specified in the section dedicated to Commissions Earned (as at 31/12/2015 the credit did not exist, given that the amounts due had been paid during the year);
2. the recoveries of sums levied from supervised parties for 2016, totalling 3.6 million Euro (ordinary amounts for approximately 2.5 million Euro and for the project "Asset Quality Review for the Banking System" for approximately 1.1 million Euro), which the supervised parties are obliged to pay back to the Central Bank by 31 May 2017 (in 2015 they amounted to approximately 2.1 million Euro, comprised of ordinary recoveries only);



3. the credits for the recovery of sums levied from supervised parties related to the years before 2016, which are still unpaid. These credits, with a face value of 162,687 Euro (in 2015 they amounted to 167,821 Euro), were devalued analytically for the amount of the share that was not deemed recoverable and were adjusted accordingly.

Likewise, also the recoveries of the costs related to the financial year 2016, against the debtors of past due, but not collected, loans, were subject to the same devaluation and subsequent adjustments.

Overall, the value adjustments made in the financial year 2016 were equal to 12,411 Euro, the value recoveries were equal to 9,701 Euro, whereas the overall devaluation was equal to 95,209 (in 2015 such devaluation was equal to 92,499 Euro);

4. invoices to be issued related to retrocessions of costs for the financial years 2015 and 2016 of the project "Central Credit Register" for an aggregate amount of 514,949 Euro. As at 31/12/2015, they amounted to 201,173 Euro; they were increased for the costs for the financial year 2016 (Euro 313,776). These amounts shall be recovered within the context of the invoicing activities that will be carried out by the Central Bank, pursuant to Circular no. 2015-02 (contribution to start-up costs for the Central Credit Register by participating intermediaries).

Liabilities

10 Debts with banks (item 1)

Table 10.1: detailed breakdown of item 1 "Debts with banks".

Category/Amounts	31/12/2016		31/12/2015		Variations	
	In Euro	In foreign currency	In Euro	In foreign currency	Amount	%
A) On demand debts:	164,620,860	6,889	86,885,214	6,647	77,735,888	89.46%
A1. current accounts	164,620,860	6,889	86,885,214	6,647	77,735,888	89.46%
A2. demand deposits	0	0	0	0	0	0%
A3. Mutual accounts opened for services rendered	0	0	0	0	0	0%
A4. others	0	0	0	0	0	0%
B) Term or notice debts	133,400,349	0	116,856,304	0	16,544,045	14.16%
B1. current accounts	89,390,249	0	111,856,304	0	-22,466,055	-20.08%
B2. term deposits	44,010,100	0	5,000,000	0	39,010,100	780.20%
B3. Repurchase agreements and reverse repos	0	0	0	0	0	0%



B4. other loans	0	0	0	0	0	0%
Totals	298,021,209	6,889	203,741,518	6,647	94,279,933	46.27%
Overall Total	298,028,098		203,748,165			

Accrued expenses related to interest accrued as at 31/12/2016 on deposits, equal to 10,100 Euro, are included in the item "Term or notice debts – term deposits".

Collection from banks is up by 46% compared to 2015; this increase refers both on demand current accounts and deposits.

This considerable increase reflects the possibility for banks to avail themselves, from the Central Bank, of interest bearing term deposits and of on demand current account deposits with no negative interest applied, and thus the value of such deposits registered an increase. The levels of the interest rates applied are, on average, higher compared to the levels of the market rates for similar maturities, since they refer to the European inter-bank market; conditions are, thus, generally favourable and supportive for depositors.

Table 10.2: composition of "Debts with banks" based on the residual life.

MATURITY	31/12/2016	31/12/2015
On demand debts	164,627,749	86,891,861
From more than 1 day to 3 months	35,010,161	5,000,000
From 3 to 6 months	0	0
From 6 months to 1 year	8,999,939	0
From 1 year to 18 months	0	0
From 18 months to 2 years	0	0
From 2 years to 5 years	0	0
More than 5 years	0	0
Without maturity	89,390,249	111,856,304
Total	298,028,098	203,748,165

As regards residual life, it should be noted that the debts with banks related to deposits opened for the purposes of the compulsory reserve are included in the category "Without maturity" since the



Legal Reserve requirement remains valid in time, even though, depending on the actual period when such reserve must be maintained, the amounts of the individual deposits are subject to variations. These debts are paid at a floating rate.

11 Debts with customers (item 2)

Table 11.1: detailed breakdown of item 2 "Debts with customers".

Category/Amounts	31/12/2016		31/12/2015		Variations	
	In Euro	In foreign currency	In Euro	In foreign currency	Amount	%
A) On demand debts:	82,161,088	18,220	95,174,259	17,466	-13,012,417	-13.67%
A1. current accounts	82,161,088	18,220	95,174,259	17,466	-13,012,417	-13.67%
A.2 savings deposits	0	0	0	0	0	0%
A3. others	0	0	0	0	0	0%
B) Term or notice debts:	0	0	0	0	0	0%
B1. term current accounts	0	0	0	0	0	0%
B.2 term savings deposits	0	0	0	0	0	0%
B.3 Repurchase agreements and reverse repos	0	0	0	0	0	0%
B4. other funds	0	0	0	0	0	0%
Totals	82,161,088	18,220	95,174,259	17,466	-13,012,417	-13.67%
Overall Total	82,179,308		95,191,725			

The "interest paid to customers", accrued and matured as at the end of the financial year, amounting to 654 Euro, is included in the "On demand debts – current accounts" item.

As regards the composition of this item, it mainly represents the collections from Broader Public Administration.

Table 11.2: composition of "Debts with customers" based on the residual life

MATURITY	31/12/2016	31/12/2015



On demand debts	82,179,308	95,191,725
From more than 1 day to 3 months	0	0
From 3 to 6 months	0	0
From 6 months to 1 year	0	0
From 1 year to 18 months	0	0
From 18 months to 2 years	0	0
From 2 years to 5 years	0	0
More than 5 years	0	0
Without maturity	0	0
Total	82,179,308	95,191,725

12 Other liabilities (items 4-5)

Table 12.1: composition of item 4 "Other liabilities"

Technical type	31/12/2016	31/12/2015
Security margins	0	0
Premiums received on options	0	0
Other	7,359,184	7,364,706
- of which cheques in circulation and other securities	460,082	553,263
Total	7,359,184	7,364,706

"Other liabilities" include, besides cheques in circulation, corresponding to the drawing and receipt cheques issued within the context of the State Treasury Service:

1. the sums available to third parties that refer to Treasury Service receipts that – due to the time required to process them – have yet to be credited to their relative current accounts (about 2.6 million Euro compared to 3.5 million Euro in 2015);
2. the Overdue Tax Collection entries already collected and pending being paid to the relevant entities amounting to 337,624 Euro and other suspended items relating to the Tax Service amounting to 377,053 Euro (as at 31/12/2015 they were equal to 275,666 Euro and 372,586 Euro respectively);



3. the existing debts related to the labour costs amounting to 1.7 million Euro (as at 31/12/2015 they were equal to 1.9 million Euro approximately), which include compensations, social security and tax costs (including the values for the calculation of residual holidays as at 31/12/2016) and remunerations for directors and statutory auditors yet to be paid;
4. debts with suppliers for approximately 1.5 million Euro (as at 31/12/2015 they were equal to 432,710 Euro). As at 31/12/2016, this item is comprised of approximately 900,000 Euro related to the project "Asset Quality Review for the Banking System" and approximately 167,000 Euro to be paid with reference to the project for the reorganisation of the Central Bank.

13 The funds (items 6-7-8)

Table 13.1: movements occurred in item 6 "Staff retirement allowances"

Staff retirement allowances	31/12/2016	31/12/2015
Opening balances	555,172	604,168
Increases	541,468	555,172
- provisions	540,819	555,172
- other variations	649	0
Decreases	555,821	604,168
- withdrawals	555,821	604,168
- other variations	0	0
Closing balance	540,819	555,172

This item reflects the benefit substituting for the staff retirement allowances accrued, in the financial year, by the employees ("provisions").

The retirement allowances accrued in one financial year are paid to the employees in the following financial year ("withdrawals"), within the deadlines provided for by the labour agreement from time to time in force.

The "other variations" registered under "increases" represent the integration, made in 2016, of the provision to employee retirement fund made on 31/12/2015.

Table 13.2: composition of item 7 "Financial risks and costs funds"

Financial risks and costs funds	31/12/2016	31/12/2015
Tax fund	0	0



Retirement and similar costs funds	0	0
Other funds:	100,000	0
- fund for costs for extraordinary proceedings	0	0
- fund for legal proceedings	100,000	0
Total	100,000	0

Table 13.3: movements in sub-item c) "Other funds"

Other funds	31/12/2016	31/12/2015
Opening balances	0	4,000
Increases	160,000	0
- provisions	160,000	0
- other variations	0	0
Decreases	60,000	4,000
- withdrawals	60,000	4,000
- other variations	0	0
Final balance	100,000	0

The movements of "other funds" reflect:

1. the reconstruction, in execution of the resolution of board, for 60,000 Euro of the "fund for costs for extraordinary proceedings" - aimed at covering any possible costs resulting from the proceedings referred to in title II of Part II of Law no. 165 – of 17 November 2005 made against the refund of amounts disbursed in previous financial years;
2. the subsequent use for an equal amount to partially hedging an amount paid to support an administrative compulsory winding-up procedures;
3. the provision for 100,000 Euro to the fund for legal proceedings, which refers to a labour dispute opened in 2016.

As regards the legal proceedings in which the Central Bank is a defendant, i.e. Civil action no. 97/2016 and labour related actions no. 29/2016 and 47/2016, a provision was made only with reference to a labour dispute. As regards the others, it was decided not to make any provision since, as at today, there are not sufficient information to support such action.



Table 13.4: movements in item 8 “Fund for credit risks”

There are no provisions to the “Fund for credit risks” as at 31/12/2016, nor as at 31/12/2015.

14 Endowment Fund; Issue Premium; Subordinated liabilities; Fund for general banking risks and Net Profit (detailed breakdown of items 9-10-11-12-13-15-16)
Table 14.1: composition of item 9 “Fund for general banking risks”

Fund for general banking risks	31/12/2016	31/12/2015	Absolute variations and %	
Initial balance	51,825,921	51,825,921	0	0%
Contributions in the financial year	0	0	0	0%
Withdrawals in the financial year	0	0	0	0%
Closing balance	51,825,921	51,825,921	0	0%

No changes have occurred during the financial year.

Table 14.2: composition of item 10 “Subordinated liabilities”

There are no “Subordinated liabilities” as at 31/12/2016, nor as at 31/12/2015.

Table 14.3: composition of item 11 “Endowment fund”

Endowment fund	31/12/2016	31/12/2015	Absolute variations and %	
	12,911,425	12,911,425	0	0%

As provided for in art. 20 of the Statutes of the Central Bank, the “Endowment fund” is subdivided into nominative and indivisible shares of 5,164.57 Euro each.

The ownership structure of shares is as follows:

- 67% the Most Excellent Chamber of the Republic of San Marino;
- 14% Cassa di Risparmio della Repubblica di San Marino S.p.A.;
- 6% Banca di San Marino S.p.A.;
- 5% Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.;
- 5% Banca Cis - Credito Industriale Sammarinese S.p.A.;
- 2% Asset Banca S.p.A.;
- 1% Banca Sammarinese di Investimento S.p.A.



Table 14.4: composition of item 12 "Share Premium"

There are no "Share Premium" as at 31/12/2016, nor as at 31/12/2015.

Table 14.5: composition of item 13 "Reserves"

Reserves	31/12/2016	31/12/2015	Absolute variations and %	
a) Ordinary reserves	3,447,534	6,840,259	-3,392,725	-49.60%
b) Extraordinary reserves	9,627,277	9,627,277	0	0%
c) Reserve for own shares	0	0	0	0%
d) Other reserves	0	0	0	0%
Total	13,074,811	16,467,536	-3,392,725	-20.60%

The variations occurred in 2016 reflect only the decrease in the ordinary reserve following the settlement of the loss for the financial year 2015, in line with the resolution of the meeting held on 30 May 2016, in compliance with art. 23 paragraph 5 of the Statutes (Law no. 96 of 29 June 2005, as subsequently amended and supplemented).

Table 14.6: composition of item 15 "Profits (losses) carried forward"

There are no "Profits (losses) carried forward" as at 31/12/2016, nor as at 31/12/2015.

Table 14.7: composition of item 16 "Operating profit (loss)"

Operating profit (loss)	31/12/2016	31/12/2015	Absolute variations and %	
	-2,173,521	-3,392,725	1,219,204	35.94%

Table 14.8: variations in net equity in the last 4 years

	Endowment Fund	Ordinary reserve	Extraordinary reserve	Other reserves	Operating results	Fund for general banking risks	Total
Balances as at 31/12/2013	12,911,425	6,702,646	9,627,277	0	293,890	51,825,921	81,361,159
Balances as	12,911,425	6,820,202	9,627,277	0	50,143	51,825,921	81,234,968



at 31/12/2014							
Balances as at 31/12/2015	12,911,425	6,840,259	9,627,277	0	-3,392,725	51,825,921	77,812,157
Balances as at 31/12/2016	12,911,425	3,447,534	9,627,277	0	-2,173,521	51,825,921	75,638,636

As provided for in art. 23 of the Statutes, the Meeting is required to cover the loss for the financial year 2016 against the balance available in the reserves.

15 Revaluation reserves (detailed breakdown of item 14)

There are no "Revaluation reserves" as at 31/12/2016, nor as at 31/12/2015.

Guarantees and Commitments

16 Guarantees and Commitments

Table 16.1: composition of the "guarantees issued"

Guarantees issued	31/12/2016	31/12/2015	Absolute variations %	
A) Credit commitments of a commercial nature	0	0	0	0%
<i>A1. acceptance;</i>	0	0	0	0%
<i>A2. sureties and bank guarantees;</i>	0	0	0	0%
<i>A3. strong comfort letters;</i>	0	0	0	0%
<i>A4. others.</i>	0	0	0	0%
B) Credit commitments of a financial nature	6,699,648	7,307,673	-608,025	-8.32%
<i>B1. acceptance;</i>	0	0	0	0%
<i>B2. sureties and bank guarantees;</i>	6,699,648	7,307,673	-608,025	-8.32%
<i>B3. strong comfort letters;</i>	0	0	0	0%
<i>B4. others.</i>	0	0	0	0%



C) Assets pledged as guarantee	0	0	0	0%
Totals	6,699,648	7,307,673	-608,025	-8.32%

Table 16.2: composition of “guarantees issued” based on the residual life

MATURITY	31/12/2016	31/12/2015
On demand	0	0
From 1 to 3 months	0	0
From 3 to 6 months	0	0
From 6 months to 1 year	300,000	300,000
From 1 year to 18 months	0	0
From 18 months to 2 years	0	300,000
From 2 years to 5 years	0	350,000
More than 5 years	6,173,738	6,173,738
Without maturity	225,910	183,935
Total	6,699,648	7,307,673

Table 16.3: assets pledged as guarantee of own debts

There are no assets pledged as guarantee of own debts.

Table 16.4: margins available on credit lines

As at 31/12/2016, CBSM has no credit facilities open with other central banks and/or commercial banks that would allow, by virtue of contractual agreements, to have access to cash collection or funding.

There are certain commercial banks with which the CBSM performs activities for the sale and purchase of securities, and carries out Forex and Money Market activities, and with which it is possible to carry out transactions, not secured by collateral, for the collection of cash for short periods of time and for limited amounts.

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

Table 16.5: composition of “Spot commitments”



Spot commitments	31/12/2016	31/12/2015	Absolute variations and %	
A) Disbursement commitments for certain use	244,846	213,382	31,464	14.75%
- <i>of which commitments for loans to be disbursed</i>	0	0	0	0%
B) Commitments to exchange financial instruments for certain use	0	0	0	0%
C) Disbursement commitments for uncertain use	0	0	0	0%
- <i>of which negative margins to be used on credit lines</i>	0	0	0	0%
- <i>of which put options issued</i>	0	0	0	0%
D) Commitments to exchange financial instruments for uncertain use	0	0	0	0%
Totals	244,846	213,382	31,464	14.75%

The item "for certain use" commitments is comprised exclusively of spot transactions concerning currencies to be delivered/received.

Table 16.6: Term commitments

As at 31/12/2016 there are no term commitments.

Table 16.7: Financial derivatives

As at 31/12/2016 there are no financial derivatives.

Table 16.8: Derivative contracts on credits

As at 31/12/2016 there are no derivative contracts on credits.



Memorandum accounts

17 Memorandum accounts

Table 17.1: Memorandum accounts

Items	31/12/2016	31/12/2015	Absolute variations and %	
A) Asset management	0	0	0	0%
a) asset management for customers	0	0	0	0%
b) own portfolios managed by third parties	0	0	0	0%
B) Financial instruments custody and management	436,472,958	342,743,557	93,729,401	27.35%
a) deposited third-party financial instruments	140,500,089	89,616,694	50,883,395	56.78%
<i>of which: debt securities issued by the Central Bank</i>	0	0	0	0%
<i>of which: capital securities and other securities issued by the Central Bank</i>	0	0	0	0%
<i>of which: third-party financial instruments deposited with third parties</i>	1,528,113	935,678	592,435	63.32%
b) own financial instruments deposited with third parties	295,972,869	253,126,863	42,846,006	16.93%
C) Financial instruments and other assets linked to the activities as depositary bank	38,587,579	24,122,775	14,464,804	59.96%
a) liquidity	579	316,775	-316,196	-99.82%
<i>of which: liquidity deposited with the Central Bank</i>	579	316,775	-316,196	-99.82%
b) debt securities	0	0	0	0%
<i>of which: debt securities issued by the Central Bank</i>	0	0	0	0%
c) capital securities, CIS units, other financial instruments	0	0	0	0%



<i>of which: capital securities issued by the Central Bank</i>	0	0	0	0%
d) other assets other than financial instruments and liquidity	38,587,000	23,806,000	14,781,000	62.09%

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

With reference to "C) Financial instruments and other assets linked to the activities as depositary bank" it should be noted that the values indicated refer to the custodian bank activities carried out by the Central Bank on behalf of Fondiss, pursuant to Law no. 191 of 6 December 2011.

With reference to other memorandum accounts, the following is reported:

- the assets foreclosed by the Overdue Tax Collection Service of the Central Bank and deposited with third parties, pending their auction sale pursuant to art. 70 et seq. of Law no. 70 dated 25 May 2004, were registered with a value of 204,352 Euro. As at 31/12/2016, the entries to be collected amount to 301,913,097 Euro, whereas the guarantees received with reference to the extensions granted by the Overdue Tax Collection Service amount to 15,509,451 Euro;
- the amount of the mediation guarantee fund managed by the Central Bank (CBSM Regulation no. 2013-03) is equal to 650,000 Euro;
- the amount of the guarantee fund for depositors managed by the Central Bank (CBSM Regulation no. 2016-01) is equal to 5,000,618 Euro;
- the *Promissory Note* with a value of 45,893,686 Euro issued by the Government of the Republic of San Marino in favour of the International Monetary Fund and linked to the share of the Republic in the International Monetary Fund, is deposited with the Central Bank.

Part C - Information on the Profit and Loss Account

18 Interest (items 1 and 2)

Table 18.1: detailed breakdown of item 1 "Interest received and other proceeds"

Interest received and other proceeds	31/12/2016	31/12/2015	Absolute variations and %	
A) On loans to banks	-289,146	-30,182	-258,964	-858.01%



<i>A.1 c/accounts in credit</i>	-282,333	-30,115	-252,218	-837.52%
<i>A.2 deposits</i>	-6,813	-67	-6,746	-10,068.66%
<i>A.3 other loans</i>	0	0	0	0%
<i>of which: on leasing transactions</i>	0	0	0	0%
B) On loans to customers	200,810	351,244	-150,434	-42.83%
<i>B.1 c/accounts in credit</i>	<i>199,328</i>	<i>344,354</i>	<i>-145,026</i>	<i>-42.12%</i>
<i>B.2 deposits</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0%</i>
<i>B.3 other loans</i>	<i>1,482</i>	<i>6,890</i>	<i>-5,408</i>	<i>-78.49%</i>
<i>of which: on leasing transactions</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0%</i>
C) On debt financial instruments from banks	736,317	656,828	79,489	12.10%
<i>C.1 certificates of deposit</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0%</i>
<i>C.2 bonds</i>	<i>736,317</i>	<i>656,828</i>	<i>79,489</i>	<i>12.10%</i>
<i>C.3 other financial instruments</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0%</i>
D) On debt financial instruments from customers (other issuers)	503,201	1,062,122	-558,921	-52.62%
<i>D.1 bonds</i>	<i>503,201</i>	<i>1,062,122</i>	<i>-558,921</i>	<i>-52.62%</i>
<i>D.2 other financial instruments</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0%</i>
Totals	1,151,182	2,040,012	-888,830	-43.57%

As shown in table 18.1 above, compared to 2015, the total negative variation in interest received for -888,830 Euro (-43.57%) reflects a decrease in each one of the components, i.e. interest on inter-bank loans, loans to customers and financial instruments. In absolute values, the most significant decrease reflects interest on financial instruments, equal to -479,432 Euro (letters C and D).

With reference to interest on inter-bank loans, it should be noted that, just as in 2015, in light of negative interest rates received on such transactions, they showed a negative value. The same situation did not occur with reference to loans to customers, nor for the debt securities held in own portfolio; specifically, as regards loans to customers in light of the negative rates it was decided to apply a minimum rate equal to zero.



Table 18.2: detailed breakdown of item 2 "Interest paid and other costs"

Interest paid and other costs	31/12/2016	31/12/2015	Absolute variations and %	
A) On debts with banks	132,338	1,382	130,956	9,475.83%
<i>A.1 Overdrawn c/accounts</i>	1	2,056	-2,055	-99.95%
<i>A.2 deposits</i>	132,337	-674	133,011	19,734.57%
<i>A.3 other debts</i>	0	0	0	0%
B) On debts with customers	743	50,120	-49,377	-98.52%
<i>B.1 overdrawn c/accounts</i>	743	50,120	-49,377	-98.52%
<i>B.2 deposits</i>	0	0	0	0%
<i>B.3 other debts</i>	0	0	0	0%
C) On debts represented by financial instruments to banks	0	0	0	0%
<i>of which: on certificates of deposit</i>	0	0	0	0%
D) On debts represented by financial instruments to customers	0	0	0	0%
<i>of which: on certificates of deposit</i>	0	0	0	0%
E) On subordinated liabilities	0	0	0	0%
Totals	133,081	51,502	81,579	158.40%

As shown in table 18.2 above, in 2016 interest paid registered, in absolute terms, a significant increase, resulting only from the increase in interest related to debts with banks. Specifically, with reference to the latter, it should be noted that such variation reflects higher interests registered as regards deposit transactions made in 2016.

With reference to interest on debts with banks and debts with customers, it should be noted that, with negative interest rates payable, it was decided to apply on such accounts, in general and if possible, minimum interest rates equal to zero.

19 Dividends and other proceeds (item 3)

There are no "Dividends and other proceeds" as at 31/12/2016, nor as at 31/12/2015.



Table 20.1: detailed breakdown of item 4 "Commissions earned"

Commissions earned	31/12/2016	31/12/2015	Absolute variations and %	
a) Guarantees issued	6,792	6,530	262	4.01%
b) Collection and payment services	1,980,455	1,978,083	2,372	0.12%
c) Depository bank services	7,200	7,200	0	0%
d) Financial instruments custody and management	0	0	0	0%
e) Credit derivatives	0	0	0	0%
e) Advice on financial instruments	0	0	0	0%
g) Other services	840,030	840,080	-50	-0.01%
Totals	2,834,477	2,831,893	2,584	0.09%

Items "Collection and payment services" and "Other services" include the revenues associated with the provision of services rendered to the Broader Public Administration. In 2016, the latter did not pay any amount for these services, since the relevant agreement expired on 31/12/2015 and it has not been renewed yet, in spite of the fact that negotiations already started.

In view of the possibility to reach an agreement within a short period of time, it was decided to delay the approval of this document, for the purpose of registering the final income.

However, in light of the fact that the negotiations require additional time, such income was registered in the financial statements, making an estimate and taking into consideration the provisions of the State Congress in the Resolution no. 17 of 15/11/2016.

Specifically, with the aforementioned resolution, the State Congress, given that the agreement for the three-year period 2016-2018 is being defined, also considering that the services rendered by the Central Bank in the past financial year were regularly rendered as provided for in the Agreement entered into for the three-year period 2013-2015, pending a new agreement, authorised for the Entity Most Excellent Chamber the appropriation of the amount to be paid, at the same level of the previous financial year, and invited the other Entities and Autonomous Authorities to take care of the relevant accounting entries, and reserved to adopt the future Agreement with a subsequent resolution. The entities confirmed having executed the aforementioned appropriations within the context of the circularisation activities carried out by the auditing company.

Within table 20.1 above, in order to specify the commissions for services rendered to the Public Administration in 2016, the same criterion used in 2015 was adopted for the allocation between the different items.

It is worth noting that the economic request made by the Central Bank for such services was equal to approximately 4 million Euro for 2016, amount that better covers the costs incurred for providing such services. Given that the total amount appropriated by the Public Administration for the



relevant fees is considerably lower and quantified, as mentioned above, in approximately 2.8 million Euro, this data has an inevitable impact on the economic result for the financial year.

By contrast, the item "Depositary bank services" includes the commissions received by the Central Bank for the depositary bank service carried out on behalf of Fondiss – Supplementary Welfare Fund of the Republic of San Marino.

Table 20.2: detailed breakdown of item 5 "Commissions paid"

Commissions paid	31/12/2016	31/12/2015	Absolute variations and %	
a) Guarantees received	0	0	0	0%
b) Credit derivatives	0	0	0	0%
b) Securities custody and management:	44,884	41,133	3,751	9.12%
- own portfolio	41,684	38,733	2,951	7.62%
- portfolio of third parties	3,200	2,400	800	33.33%
c) Collection and payment services	17,413	24,140	-6,727	-27.87%
d) Other services	73,855	80,796	-6,941	-8.59%
Totals	136,152	146,069	-9,917	-6.79%

The commissions for "Other services" also include the annual commission of 40,000 Euro and the total quarterly commissions of 1,692 Euro paid to the Italian counterpart for the procurement services for banknotes and coins (in 2015, the annual fee amounted to 45,000 Euro, and the quarterly fees to 6,207 Euro in aggregate); the rest are, as in the previous financial year, miscellaneous commissions requested by the banks on current accounts.

21 Profits (losses) from financial operations (item 6)

Table 21.1: composition of item 6 "Profits (losses) from financial operations"

As at 31/12/2016			
Items/Operations	Transactions on financial instruments	Foreign currency transactions	Other transactions
A1. Revaluations	561,842	0	0
A2. Devaluations	-792,570	0	0
B. Other profits/losses	2,872,530	-6,251	0



Total	2,641,802	-6,251	
1. Government bonds	0		
2. Other debt financial instruments	2,641,132		
3. Capital financial instruments	670		
4. Derivative contracts on financial instruments	0		
Total	2,641,802		

Item A.1: revaluations

It represents the value of the capital gains existing on the portfolio of debt and capital securities as at 31 December 2016.

Item A.2: devaluations

It represents the aggregate value of the capital losses existing on the securities portfolio as at 31 December 2016.

Item B.: other profits/losses

The item refers to profits and losses resulting from securities negotiation, including those occurring at the time of reimbursement at maturity; in the second column, it indicates the proceeds (trading/valuation) derived from currencies.

Compared to 2015, this item registered an increase of approximately 2.1 million Euro, mainly due to the securities segment, with a higher profit from trading (approximately 1.2 million Euro) and a difference between capital gains and losses resulting from valuation as at 31/12/2016, not as negative as that registered in the previous financial year (approximately 0.9 million Euro).

22 Administrative costs (item 9)

Table 22.1: Number of employees by category

	% on the total as at 31/12/2016	Number as at 31/12/2016	Number as at 31/12/2015
a) Senior Officers	3.19%	3	1
b) Officers	10.64%	10	12
c) Rest of staff			
1. front office managers/clerks	81.91%	77	77
2. support staff	4.26%	4	4

Table 22.2: detailed breakdown of sub-item a) "Labour costs"

Labour costs	31/12/2016	31/12/2015	Variations	
			Amount	%



Wages and salaries	4,930,928	4,858,675	72,253	1.49%
Pension contributions	1,415,205	1,411,992	3,213	0.23%
Staff retirement allowances	576,074	616,898	-40,824	-6.62%
Severance and indemnity-related costs	0	0	0	0%
Other labour costs	565,589	730,826	-165,237	-22.61%
Total	7,487,796	7,618,391	-130,595	-1.71%

For the purposes of comparing the data, the value for the financial year 2015 of the sub-items "wages and salaries", "pension contributions" and "staff retirement allowances" was recalculated since, in 2016, based on the definitions of Regulation no. 2008/02, the expenses refunded for employees seconded to other companies were not included. The amount of the subsequent variations of the items of 2015 is irrelevant.

As shown in table 22.2 above, in 2016 "labour costs" registered, in aggregate, a slight decrease. The sub-item that registered the most significant decrease, equal to -22.61%, is "Other labour costs", which includes the expenses incurred for training and refresher courses, performance bonus, holidays accrued but not taken as at 31 December 2016, with pension contributions costs and staff retirement allowances and other costs. The decrease registered during the financial year mainly reflects the drop in the amount of performance bonuses for officers and directors and the absence of any provision for holidays accrued but not taken as at 31 December 2016 and other related expenses.

Table 22.3: Directors and statutory auditors - remunerations

	31/12/2016	31/12/2015	Variations	
			Amount	%
Directors	191,999	231,372	-39,373	-17.02%
Statutory Auditors	30,960	28,920	2,040	7.05%
Total	222,959	260,292	-37,333	-14.34%

Table 22.4: detailed breakdown of sub-item b) "Other administrative costs"

Other administrative costs	31/12/2016	31/12/2015	Variations	
			Amount	%



Graphic art work and advertising	6,617	15,263	-8,646	-56.65%
Insurance premiums	231,980	215,628	16,352	7.58%
Miscellaneous utilities and cleaning of premises	138,301	137,832	469	0.34%
Forms, stationary and newspapers	40,793	48,281	-7,488	-15.51%
Postage and telephone	225,733	253,965	-28,232	-11.12%
Consumables and spare parts	9,038	23,514	-14,476	-61.56%
Professional consultancy fees	1,369,427	251,566	1,117,861	444.36%
Reimbursement of travel costs	58,298	21,506	36,792	171.08%
Travel	60,176	27,196	32,980	121.27%
Rentals, technical assistance, repairs and various services	1,519,819	1,452,993	66,826	4.60%
Association memberships and similar fees	29,282	28,759	523	1.82%
Rents paid	95,546	78,000	17,546	22.49%
Import taxes	1,743	4,185	-2,442	-58.36%
Armed security	47,970	53,424	-5,454	-10.21%
Translations	25,379	59,581	-34,202	-57.40%
Various transport	26,372	31,659	-5,287	-16.70%
Donations	500,000	150,550	349,450	232.12%
Miscellaneous and varied expenses	58,625	38,839	19,786	50.94%
Total	4,445,099	2,892,741	1,552,358	53.66%

The most significant variations shown in the table above, include the increases in "Professional consultancy fees" (for 1.1 million Euro) and "Donations" (for 349,450 Euro). To this regard, it is worth noting that the first item is also comprised of the fees related to the project "Asset Quality Review for the Banking System", included in the recovery of sums levied from supervised parties, whereas, the latter refers only to the restoration of the Endowment Fund of the Central Bank (500,000 Euro).

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



Table 23.1: composition of items 10-11 "Value adjustments of intangible and tangible fixed assets"

Value adjustments on intangible and tangible fixed assets	31/12/2016	31/12/2015	Variations	
			Amount	%
a) Intangible fixed assets	230,901	141,972	88,929	62.64%
- software	93,301	141,760	-48,459	-34.18%
- multi-year costs	137,600	212	137,388	64.81%
<i>of which: on leased assets</i>	0	0	0	0%
b) Tangible fixed assets	254,641	256,089	-1,448	-0.57%
- real property	189,146	189,146	0	0%
- systems and fittings	21,255	33,680	-12,425	-36.89%
- other tangible fixed assets	44,240	33,263	10,977	-33.00%
<i>of which: on leased assets</i>	0	0	0	0%
Total	485,542	398,061	87,481	21.98%

Table 23.2: composition of item 12 "Provisions for financial risks and costs"

Provisions for financial risks and costs	31/12/2016	31/12/2015	Variations	
			Amount	%
A) Retirement funds	0	0	0	0%
b) Tax funds	0	0	0	0%
c) Other funds:	160,000	0	160,000	100%
- fund for legal proceedings;	100,000	0	100,000	100%
- fund for costs for extraordinary proceedings	60,000	0	60,000	100%
Total	160,000	0	160,000	100%



As specified in the section of Liabilities related to “Financial risks and costs funds”, the provisions reflect:

1. the restoration for 60,000 Euro, in execution of the resolution of the board, of the “fund for costs for extraordinary proceedings” - aimed at covering any possible costs resulting from the proceedings referred to in title II of Part II of Law no. 165 – of 17 November 2005 made against the refund of amounts disbursed in previous financial years;
2. for 100,000 Euro to the fund for legal proceedings, which refers to a labour dispute opened in 2016.

Table 23.3: item 13 “Provisions to the credit risk funds”

In 2016 and 2015, no provisions were made to the fund for credit risks.

Table 23.4: composition of item 14 “Value adjustments on credits and provisions for guarantees and commitments”

Value adjustments on credits and provisions for guarantees and commitments	31/12/2016	31/12/2015	Variations	
			Amount	%
a) Value adjustments on credits	12,411	22,491	-10,080	-44.82%
b) Provisions for guarantees and commitments	0	0	0	0%
Total	12,411	22,491	-10,080	-44.82%

These are the value adjustments made in 2016 to credits for the recovery of sums levied from supervised parties included under “other assets”, as shown in the detail in this latter item.

For the purpose of comparing the data, the value for the financial year 2015 of the item was recalculated in order to recognise separately the “Value recoveries on credits”, which at the time were deducted from “Value adjustments on credits”. The amount of the subsequent variation of the item in 2015 is irrelevant.

Table 23.5: composition of item 15 “Value recoveries on credits and provisions for guarantees and commitments”

Value recoveries on credits and provisions for guarantees and commitments	31/12/2016	31/12/2015	Variations	
			Amount	%
Value recoveries	9,701	9,089	612	6.73%
Total	9,701	9,089	612	6.73%



These are the value recoveries made in 2016 with reference to credits for the recovery of sums levied from supervised parties included under "other assets", as shown in the detail in this latter item.

For the purpose of comparing the data, the value for the financial year 2015 of the item was recalculated in order to recognise the amount, which at the time was deducted from "Value adjustments on credits". The amount of the subsequent variation of the item in 2015 is irrelevant.

Table 23.6: composition of item 16 "Value adjustments on financial fixed assets"

In 2016 and 2015, no value adjustments were made on financial fixed assets.

Table 23.7: composition of item 17 "Value recoveries of on financial fixed assets"

In 2016 and 2015, no value recoveries were made on financial fixed assets.

24 Other items of the profit and loss account (items 7 – 8 – 19-20)

Table 24.1/24.2: composition of items 7/8 "Other operating proceeds", "Other operating costs"

Other operating proceeds	31/12/2016	31/12/2015	Variations	
			Amount	%
a) Rents received	3,500	3,500	0	0%
b) Recovery of costs for adjusting the RIS to SEPA standards	18,062	0	18,062	100%
c) Recovery of sums levied from supervised parties	3,613,795	2,125,000	1,488,795	70.06%
d) Credit notes, allowances and positive rounding-off of figures	38	67	-29	-43.28%
e) Proceeds from Overdue Tax Collection Services	51,643	43,035	8,608	20.00%
f) Recovery of costs related to the Mediation Data Bank	0	23,333	-23,333	-100%
g) Recovery of costs for Central Credit Register	313,776	201,173	112,603	55.97%
h) Recovery of costs associated with procurement services for banknotes and coins	217,729	226,617	-8,888	-3.92%



i) Miscellaneous proceeds	7,724	10,477	-2,753	-26.28%
Total	4,226,267	2,633,202	1,593,065	60.50%

For the purpose of comparing the data, the value for the financial year 2015 of the item "Other operating proceeds" was recalculated since, in 2016, based on the definitions of Regulation no. 2008/02, the recoveries of expenses for employees seconded to other companies were deducted from the relevant items of "Labour Costs". The amount of the subsequent variation of the item in 2015 is irrelevant.

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 for the financial year 2016. The remainder of these costs is not recovered and the Central Bank bears these expenses. As already explained in the section of Assets related to "Other Assets", this year the recovery also refers to the expenses incurred for the project "Asset Quality Review for the Banking System".

The item "Recovery of costs for Central Credit Register" refers to the recognition of the recovery of the costs for the financial year 2016 that will be made within the context of the invoicing carried out by the Central Bank, pursuant to Circular no. 2015-02.

The "Recovery of costs associated with procurement services for banknotes and coins" refers to the recoveries made in 2016 with the relevant amount for the period.

Other operating costs	31/12/2016	31/12/2015	Variations	
			Amount	%
a) Expenses related to the centralised management of cash	104,620	91,648	12,972	14.15%
b) Allowances and various rounding-off of figures	99	116	-17	-14.66%
c) Costs for extraordinary proceedings on supervised entities	20,000	10,500	9,500	90.48%
d) Miscellaneous costs	320	1,185	-865	-73.00%
Total	125,039	103,449	21,590	20.87%

Table 24.3: composition of item 19 "Extraordinary proceeds"

Extraordinary proceeds	31/12/2016	31/12/2015	Variations	
			Amount	%
a) Windfall proceeds	112,927	36,510	76,417	209.30%



b) Contingent assets	56,518	10,760	45,758	425.26%
c) Capital gains	16,000	2	15,998	799,900.00%
d) Rounding off to Euro units	0	1	-1	-100%
Total	185,445	47,273	138,172	292.29%

As shown in the table above, extraordinary proceeds are comprised, mostly, of contingent assets and windfall proceeds. The latter mainly reflect the repayment of amounts disbursed in previous financial years to support the procedures provided for in title II of Part II of Law no. 165 of 17 November 2005 (92,500 Euro), whereas contingent assets reflect, for 42,000 Euro approximately, the recovery of higher provisions for performance bonuses related to year 2015.

Table 24.4: composition of item 20 "Extraordinary costs"

Extraordinary costs	31/12/2016	31/12/2015	Variations	
			Amount	%
a) Windfall costs	4,414	18,331	-13,917	-75.92%
b) Contingent liabilities	3,648	1,979	1,669	84.34%
c) Capital losses	0	89	-89	-100%
d) Rounding off to Euro units	3	0	3	100%
Total	8,065	20,399	-12,334	-60.46%

The amount of the extraordinary costs is irrelevant and does not require any further comment.



25 Statement of financial conditions

Generated and collected funds	2016	2015
Funds generated from operations		
Operating loss	-2,173,521	-3,392,725
Provisions for financial risks and costs	160,000	0
Provision to the fund for general banking risks	0	0
Value adjustments on fixed assets	485,542	398,061
	-1,527,979	-2,994,664
Increase in funds collected:		
Other liabilities	0	0
Debts with banks	94,279,933	60,878,210
Debts with customers	0	0
Debts represented by financial instruments	0	0
Provisions for staff retirement allowances	540,819	555,172
Other variations	649	0
Accrued expenses and deferred revenues	64,493	0
	94,885,894	61,433,382
Decrease in funds used		
Other assets	0	0
Shares, quotas and other capital financial instruments	0	0
Cash and available funds	249,896	1,261,740
Intangible fixed assets	0	0
Tangible fixed assets	0	1,077
Accrued revenues and deferred expenses	0	0
Inter-bank loans	0	0
Bonds and other debt financial instruments	0	0
Loans to customers	6,006,273	5,847,541
Shareholdings	0	0
	6,256,169	7,110,358
Total generated and collected funds	99,614,084	65,549,076



Funds used and spent	2016	2015
Value recoveries and use of funds generated from operations:		
Value recoveries (on "other funds")	0	0
Utilisation of other funds	60,000	4,000
Dividends paid out	0	30,086
Other reserves (unavailable reserves)	0	0
	60,000	34,086
Increase in funds spent:		
Other assets	5,108,323	107,389
Other variations	0	0
Cash and available funds	0	0
Inter-bank loans	37,350,406	18,826,808
Loans to customers	0	0
Intangible fixed assets	791,709	307,727
Tangible fixed assets	131,876	12,025
Shares, quotas and other capital financial instruments	670	200
Bonds and other debt financial instruments	42,557,148	5,956,100
Shareholdings	0	0
Accrued revenues and deferred expenses	40,192	5,615
	85,980,324	25,215,864
Decrease in funds collected:		
Other liabilities	5,522	2,122,820
Debts with banks	0	0
Debts with customers	13,012,417	37,572,138
Use of staff retirement allowances	555,821	604,168
Debts represented by financial instruments	0	0
Accrued expenses and deferred revenues	0	0
	13,573,760	40,299,126
Total funds used and spent	99,614,084	65,549,076





Board of Statutory Auditors
Report on the Financial
Statements closed on 31
December 2016



**CENTRAL BANK
OF THE REPUBLIC OF SAN MARINO
Publicly and privately owned entity**

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

**BOARD OF STATUTORY AUDITORS REPORT
ON THE FINANCIAL STATEMENTS CLOSED ON
31/12/2016**

Dear Shareholders,

the Financial Statements closed on 31 December 2016, which the Board of Directors has submitted for your approval, were drawn up in accordance with the laws currently in force (Law no. 96 dated 29/06/2005 and subsequent amendments thereto – Central Bank Statutes; Law no. 165 dated 17/11/2005 – the Law on companies and on banking, financial and insurance services; Law no. 47 dated 23/02/2006 – the Companies Law); they are composed of the Balance Sheets, the Profit and Loss Account and the Notes thereto, as well as the Governing Council Report on Management.

The Financial Statements, the Notes to the Financial Statements and the Governing Council's Report were put at the disposal of the Board of Statutory Auditors on 01/06/2017. The Financial Statements were approved by the Governing Council on 31/05/2017, this delay is adequately explained in the notes to the financial statements, and on such date the Board of Statutory Auditors waived the deadline provided for in art. 83, paragraph 1 of the Law no. 47 of 23/02/2006 (Companies Law).

The Notes to the Financial Statements contain a detailed description of the process by which the operating loss amounting to **€ 2,173,521** was determined, besides illustrating the accounting principles observed therein.

The operating results are contained in the following categories of asset and income figures expressed in Euro units, obtained by rounding off the actual accounting amounts – whether up or down – to the closest Euro unit. Alternatively the sum of the rounded-off figures of the sub-items was used. Any off-balance sheet differences generated in such accounting practice are

included within the Financial Statements amongst the “Other Balance Sheet Assets/Liabilities” and the “Extraordinary Proceeds/Costs” entry in the Profit and Loss Account; this is per the general criteria for drawing up bank financial statements:

LIABILITIES	EURO	440,097,823
ENDOWMENT FUND	EURO	12,911,425
RESERVES	EURO	13,074,811
OPERATING LOSS	EURO	- 2,173,521
<hr/>		
ASSETS	EURO	463,910,538

Guarantees and Commitments:

GUARANTEES ISSUED	EURO	6,699,648
COMMITMENTS	EURO	244,846

Memorandum Accounts:

ASSET MANAGEMENT	EURO	0
DEPOSITED THIRD-PARTY SECURITIES	EURO	138,971,976
THIRD-PARTY SECURITIES DEPOSITED W/3rd PARTIES	EURO	1,528,113
OWN SECURITIES DEP. WITH W/3rd PARTIES	EURO	295,972,869
<hr/>		
TOTAL MEMORANDUM ACCOUNTS	EURO	436,472,958

The outcome of the Balance Sheet is confirmed by the Reclassified Profit and Loss Account, as follows:

INTEREST RECEIVED	EURO	-88,336
INTEREST ON SECURITIES	EURO	1,239,518
DIVIDENDS AND OTHER PROCEEDS	EURO	0
INTEREST PAID	EURO	-133,081
<hr/>		

MONEY MANAGEMENT MARGIN	EURO	1,018,101
PROFITS FROM FINANCIAL OPERATIONS	EURO	3,434,541
FINANCIAL OPERATION COSTS	EURO	- 798,990
FINANCIAL MANAGEMENT MARGIN	EURO	3,653,652
OTHER OPERATING PROCEEDS	EURO	2,887,308
OTHER OPERATING COSTS	EURO	-156,571
OTHER PROCEEDS	EURO	4,173,436
LABOUR COSTS	EURO	-7,487,796
DEPRECIATION AND PROVISIONS COSTS	EURO	-485,542
OTHER COSTS	EURO	-4,772,681
VALUE ADJUSTMENTS ON CREDITS	EURO	-12,411
VALUE RECOVERY ON CREDITS	EURO	9,701
ORDINARY OPERATING MARGIN	EURO	-2,190,904
EXTRAORDINARY OPERATING PROCEEDS	EURO	16,000
EXTRAORDINARY OPERATING COSTS	EURO	0
WINDFALL PROCEEDS	EURO	169,445
WINDFALL COSTS	EURO	-8,062
OPERATING LOSS	EURO	-2,013,521
PROVISION FOR RISKS AND COSTS	EURO	-160,000
PROVISION TO FUND GEN. BANKING RISKS	EURO	0
USE OF MISCELLANEOUS FUNDS	EURO	0
OPERATING LOSS	EURO	-2,173,521
INCOME TAXES	EURO	0
OPERATING LOSS	EURO	-2,173,521

Pursuant to Art. 23 of Law no. 96 dated 29/06/2005 as subsequently amended and supplemented, Central Bank losses (if any) shall be covered by resorting to the reserves; should such funds be insufficient, the loss shall be covered the following year using resources paid by the shareholders proportionally to their shares held in the endowment fund.

AUDITING CHECKS

The Board of Statutory Auditors has examined the Report made by the Independent Auditing company appointed by the Shareholders Assembly, which was received on 01/06/2017, and which – in its conclusion – expresses the following opinion: “the financial statements represent the true and correct equity and financial performance of the CENTRAL BANK OF THE REPUBLIC OF SAN MARINO as at 31/12/2016 and the economic result for the financial year closed on such date, in compliance with the regulations governing the criteria for their preparation.

SUPERVISORY ACTIVITIES

- ✓ The Board of Statutory Auditors carried out its periodic checks during financial year 2016, the details of which are contained in the relative Inspections Register; during those checks no decisions made by the Directorate General emerged which were in any fashion contrary to Central Bank regulations, to the laws in force, and to Central Bank Statutes;
- ✓ The members of the Board of Statutory Auditors attended the Governing Council meetings, in accordance with the statutory and legislative regulations that govern its running, **was kept informed** by the Governing Council regarding the general proceeding of operations, including the foreseeable evolution thereof, as well as information on those operations having the most important implications from an economic, financial and equity standpoint and on those carried out by the related parties;
- ✓ The Board of Statutory Auditors, on the basis of the information obtained, **was able to verify** that the actions resolved and implemented are compliant with the law and the Statutes and that they do not seem imprudent, risky, in potential conflict of interest or in contrast with the decisions taken by the General Meeting of the Shareholders, taking due account, however, of the representations expressed in the meetings of the Board;
- ✓ The Board of Statutory Auditors **supervised** the observance of the Law and the Statutes, as well as the compliance with the principles of proper management;
- ✓ it is declared that the general organisation of the these Financial Statements is in line with the laws regulating the drawing up and structuring thereof;

- ✓ from comparisons made between the Notes to the current Financial Statements with those relative to last year it may be noted that the valuation of the balance sheet figures in each was carried out on the basis of identical criteria. The data in the two documents may therefore be accurately compared.

Given the facts outlined above, and keeping in mind that no irregular facts have emerged, nor contrary reservations been expressed, the Board of Statutory Auditors declares its opinion that - to the extent of its responsibility and to the best of its knowledge – the information presented conforms with the laws governing the drawing up and structuring of Financial Statements. Moreover, the aforesaid have been drawn up clearly and represent the true and correct equity, financial and general economic performance of the Central Bank, and it has no objection regarding the proposed resolution submitted by the administrative body as regards the cover of the operating loss; the Board of Statutory Auditors therefore invites the Shareholders Assembly to approve the Financial Statements closed on 31 December 2016 in the form proposed by the Governing Council.

Finally, the members of the Board of Statutory Auditors would like to express their gratitude to the Governing Council, the Director General, the Deputy Director and the staff for their cooperation and willingness to facilitate the Members' understanding of the facts and the conduction of all of their above-mentioned supervisory checks.

San Marino, 07/06/2017

THE BOARD OF STATUTORY AUDITORS

Mr Fabio Rossi

Accountant Ms. Sandy Stefanelli

Mr Luca Marcucci



Independent Auditing
Company's Report on the
Financial Statements closed on
31 December 2016



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

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

Report on the Financial Statements

We have audited the financial statements of the *CENTRAL BANK OF THE REPUBLIC OF SAN MARINO*, which comprises the Balance Sheet as at 31/12/2016, the Profit and Loss Account for the financial year ended on such date and the Notes to the financial statements.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation of these financial statements that give a true and fair view of the equity and financial performance, in accordance with the requirements governing the criteria for their preparation.

Responsibilities of the Auditing Company

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing and with reference to the laws of the Republic of San Marino governing the financial statements. These principles require the compliance with ethical principles, as well as the planning and performance of the audit in order to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The audit entails the performance of procedures aimed at acquiring evidences in support of the amounts and information included in the financial statements. The procedures adopted depend on the professional opinion of the auditor, including the assessment of the risk of material misstatement of the financial statements due to frauds or unintentional events or conducts. In making such risk assessments, the auditor takes into consideration the internal control related to the preparation of the financial statements of the company, that would provide a true and correct representation for the purpose of defining auditing procedures adequate in the circumstances, and for expressing a judgement on the effectiveness of the internal control of the Bank. The audit also includes the assessment of the adequacy of the accounting principles adopted, of the reasonableness of the accounting estimates made by the Directors, and the assessment of the presentation of the financial statements as a whole.

We believe that we collected sufficient and appropriate evidences to support our opinion.

Opinion

In our opinion, the financial statements represent the true and correct equity and financial performance of the *CENTRAL BANK OF THE REPUBLIC OF SAN MARINO* as at 31/12/2016 and the economic result for the financial year closed on such date, in compliance with the regulations governing the criteria for their preparation.

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


Marco Stolfi
Director

San Marino, 01/06/2017



Guarantee Fund for Depositors



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Statement of Operations for the F.Y. 2016: Assets and liabilities statements

ASSETS	2016		2015*	
	* in 2015 the fund was not active			
	Total value	As a percentage of assets	Total value	As a percentage of assets
A. FINANCIAL INSTRUMENTS	0	0%	0	0%
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. CREDITS	0	0%	0	0%
B.1. Repurchase agreements	0	0%	0	0%
B.2. Others	0	0%	0	0%
C. CASH AT BANKS	5,000,618	100%	0	0%
C.1 On demand	5,000,618	100%	0	0%
C.2 Others	0	0%	0	0%
D. LIQUIDITY	0	0%	0	0%
E. OTHER ASSETS	0	0%	0	0%
TOTAL ASSETS	5,000,618	100%	0	0%

LIABILITIES	2016		2015	
	Total value		Total value	
	F. FUNDING RECEIVED	0	0	0
G. DERIVATIVE FINANCIAL INSTRUMENTS	0	0	0	0
H. OTHER LIABILITIES	0	0	0	0
TOTAL LIABILITIES	0	0	0	0

NET	2016		2015	
	Total value		Total value	
	NET ASSET VALUE OF THE FUND	5,000,618	0	0



Statement of Operations for the F.Y. 2016: Income Position

	2016	2015*
		* in 2015 the fund was not active
	Total value	Total value
FINANCIAL INSTRUMENTS	0	0
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 FROM PROCEEDS	0	0
Debt securities	0	0
Capital securities	0	0
CIS parts	0	0
CAPITAL GAINS/CAPITAL LOSSES	0	0
Debt securities	0	0
Capital securities	0	0
CIS parts	0	0
HEDGING TRANSACTIONS MARGIN OF LISTED FINANCIAL INSTRUMENTS	0	0
Operating margin of listed financial instruments	0	0
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 FROM PROCEEDS	0	0
Debt securities	0	0
Capital securities	0	0
CIS parts	0	0
CAPITAL GAINS/CAPITAL LOSSES	0	0
Debt securities	0	0
Capital securities	0	0
CIS parts	0	0
HEDGING TRANSACTIONS MARGIN OF UNLISTED FINANCIAL INSTRUMENTS	0	0
Operating margin of unlisted financial instruments	0	0
NON-HEDGING DERIVATIVE FINANCIAL INSTRUMENTS	0	0
Operating margin in non-hedging derivative financial instruments	0	0
CREDITS	0	0
Interest received and other proceeds	0	0
Value increases/decreases	0	0
Profit/loss from proceeds	0	0
Operating margin of loans	0	0
CASH AT BANKS	618	0
Interest received and other proceeds	618	0
Operating margin of cash at banks	618	0
OTHER ASSETS	0	0
Operating margin of investment in other assets	0	0



FOREIGN CURRENCY MANAGEMENT	0	0
Operating margin of foreign currency management	0	0
OTHER OPERATING TRANSACTIONS	0	0
Operating margin of other transactions	0	0
<u>GROSS OPERATING MARGIN OF NORMAL OPERATIONS</u>	618	0
FINANCIAL COSTS	0	0
Interest paid on funding received	0	0
Other financial costs	0	0
<u>NET OPERATING MARGIN OF NORMAL OPERATIONS</u>	618	0
OPERATING COSTS	0	0
Commissions	0	0
Administrative costs	0	0
Other operating costs	0	0
OTHER REVENUES AND COSTS	0	0
Other revenues	0	0
Other costs	0	0
<u>OPERATING PROFIT(LOSS)</u>	618	0



Statement of Operations for the F.Y. 2016: Notes to the Financial Statements



Structure and Contents of the Statement

The format of the Statement of Operations of the Guarantee Fund for Depositors was prepared, in compliance with the provisions of article III.III.2, paragraph 2, of the “Regulations on the Guarantee Fund for Depositors” (Reg. 2016-01), based on the provisions of Regulation 2007-06 of the Central Bank currently in force, and of the formats annexed thereto, to the extent compatible.

More specifically, the format of the statement provided for the so called “Open” Funds, has been adjusted by eliminating the items typical of mutual investment funds, suppressing the entries that, under the laws currently in force, may not have any movement for the Guarantee Fund for Depositors, as well as by restating some sub-items due to the peculiarities of such Fund.

The Statement is comprised of the Assets and liabilities statements, the Income Position and the Notes thereto, and it is accompanied by the Board of Statutory Auditors Report and by the Report of the Auditing Company. The Statement, in fact, is meant to explain, as regards each financial year, the composition of assets and liabilities of the Fund, the economic 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, appendix of the Annual Report of the Central Bank to the Great and General Council.

Part A – Assets and Liabilities and Net Equity of Fund

Section 1 - Illustration of the Valuation Criteria

In preparing this statement, the accounting principles and valuation criteria generally applied by mutual investment funds were used, according to the laws and regulations currently in force. Figures in units of Euro.

Liquidity and cash at banks are valued at face value, which corresponds to their presumed monetary value.

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

As regards the valuation of financial instruments as at 31 December 2016, it is worth noting that on such date none is included in the portfolio.

Section 2 - Assets

A. FINANCIAL INSTRUMENTS

A.1. Listed financial instruments

As at the reference date of this statement, the Fund does not hold any listed Financial Instruments in its portfolio.

A.2. Unlisted financial instruments

As at the reference date of this statement, the Fund does not hold any unlisted Financial Instruments in its portfolio.

A.3. Derivative financial instruments



As at the reference date of this statement, the Fund does not hold any derivative Financial Instruments in its portfolio.

B. CREDITS

As at the reference date of this statement, the Fund does not hold any Credits.

C. CASH AT BANKS

Cash at banks	Situation as at 31/12/2016	Situation as at 31/12/2015
On demand	5,000,618	0
Others	0	0
Total	5,000,618	0

"Cash at banks – on demand " refers to the current account open in the name of the Fund with the Central Bank of the Republic of San Marino.

Interest accrued as at the end of the financial year, amounting to 618 Euro, is included in the aforementioned "on demand" item.

D. LIQUIDITY

As at the reference date of this statement, there is no additional liquidity other than that of the on demand deposit held with the Central Bank of the Republic of San Marino, detailed above.

E. OTHER ASSETS

As at the reference date of this statement, the Fund does not hold Other Assets.

Section 3 – Liabilities

F. FUNDING RECEIVED

As at the reference date of this statement, the Fund has not received any Funding.

G. DERIVATIVE FINANCIAL INSTRUMENTS

As at the reference date of this statement, the Fund has no position in derivative Financial Instruments.

H. OTHER LIABILITIES

As at the reference date of this statement, the Fund has no Other Liabilities.

Section 4 – Net Asset Value

Net Asset Value of the Fund	Situation as at 31/12/2016	Situation as at 31/12/2015
Net equity at the beginning of the period	0	0



Increases	5,000,000	0
Decreases	0	0
Result for the period	618	0
Net equity at the end of the period	5,000,618	0

The increases refer to the payment of 5 million Euro made by the Most Excellent Chamber on 3 October 2016, as initial endowment of the Fund pursuant to article 56 of Law no. 189 of 22 December 2015, which also provides for the beginning of the contributions by the banks starting from the financial year 2017.

Part B – Income Position

The financial year in question shows a positive result for 618 Euro. This result reflects the components shown in the tables of this section.

Section 1 – Operating Margin of Financial Instruments

In the period under review, the Fund did not enter into any transaction on financial instruments.

Section 2 – Operating Margin of Credits

In the period under review, the Fund did not enter into any transaction on credits.

Section 3 – Operating Margin of Cash at Banks

Cash at banks	Amount
Interest received and other proceeds	618
Total	618

This item represents the amount of interest accrued on the current account open with the Central Bank of the Republic of San Marino, following the deposit of the 5 million Euro transferred by the Most Excellent Chamber, in the period from 3 October 2016 and 31 December 2016, at an annual rate of 5 basis points.

Section 4 – Operating Margin of Other Assets

In the period under review, the Fund did not enter into any transaction on other assets.

Section 5 – Operating Margin of Foreign Currency Management

During the financial year, the Fund did not enter into any foreign currency transaction.

Section 6 – Operating Margin of Other Transactions

No other operating transactions were entered into in the period under review.



Section 7 – Financial Costs

No loans were opened in the period under review.

Section 8 – Operating Costs

For the financial year 2016, costs of start-up and operation of the Fund were borne by the Central Bank, as established with resolution dated 14 December 2016 by the Governing Council of the Central Bank of the Republic of San Marino itself.

Section 9 – Other Revenues and Costs

There are no other revenues and costs in the period under review.

Part C – Other Information

There is no other information to report.





Board of Statutory Auditors Report on the Statement of Operations for the financial year 2016



**CENTRAL BANK
OF THE REPUBLIC OF SAN MARINO
Publicly and privately owned entity**

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

**BOARD OF STATUTORY AUDITORS REPORT
ON THE STATEMENT OF OPERATIONS FOR THE
FINANCIAL YEAR ENDED ON 31/12/2016
GUARANTEE FUND FOR DEPOSITORS**

Dear Shareholders,

the Financial Statements closed on 31 December 2016, which the Board of Directors has submitted for your approval, were drawn up in accordance with the laws currently in force (Law no. 96 dated 29/06/2005 and subsequent amendments thereto; Law no. 165 dated 17/11/2005; Law no. 47 of 23/02/2006; Delegated Decree no. 111 of 22/07/2011; Law no. 189 of 22/12/2015); they are comprised of Assets and liabilities statements, the Income Position and the Notes to the financial statements and of the Report of the Auditing Company.

The Statement on Operations for the financial year was made available to the Board of Statutory Auditors on 01/06/2017. The financial statements were approved by the Governing Council on 31/05/2017.

During the financial year ended on 31 December 2016, our activities were based on the provisions of Law and on the Code of Conduct for the Board of Statutory Auditors issued by the *Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili* (Professional Register of Chartered Accountants and Accounting Professionals) of the Republic of San Marino.

STATEMENT OF OPERATIONS

The income position of the statement of operations shows a positive result for Euro 618 and is comprised of the following items:

ASSETS AND LIABILITIES STATEMENTS

ASSETS	€5,000,618
LIABILITIES	€ <u>0</u>
NET ASSET VALUE OF THE FUND	€5,000,618

INCOME POSITION:

OPERATING MARGIN OF CASH AT BANKS	€ <u>618</u>
NET OPERATING MARGIN OF NORMAL OPERATIONS	€ 618
OPERATING COSTS	€ <u>0</u>
OPERATING PROFIT	€ 618

AUDITING CHECKS

The Board of Statutory Auditors has examined the Report made by the Independent Auditing company appointed by the Shareholders Assembly, which was received on 01/06/2017, and which – in its conclusion – expresses the following opinion: the statement on operations of the Fund represents the true and correct equity and financial performance of the Guarantee Fund for Depositors as at 31/12/2016 and the economic result for the financial year closed on such date, in compliance with the laws and measures of the Central Bank of the Republic of San Marino governing the criteria for their preparation.

SUPERVISORY ACTIVITIES

- ✓ We have monitored the compliance with the laws and with the Statutes, the Regulations of the Guarantee Fund for Depositors and the principles for a correct management.
- ✓ We acquired from the Management Body, information on the overall performance of operations and its outlook, as well as on the most significant transactions, by size or features, carried out by the Fund, based on the information acquired we have no remark to report.
- ✓ We were able to verify that the actions resolved and implemented are compliant with the law and the Regulation and that they do not seem imprudent, risky, in potential conflict of interest or in contrast with the decisions taken by the General Meeting of the Shareholders;
- ✓ We have assessed and monitored, to the extent of our own liability, the adequacy and functioning of the accounting-administrative system, its reliability in correctly representing management-related issues through the acquisition of information from

the managers of management body, the party in charge of the auditing, and, to this regard, we have no particular remark to report.

- ✓ To the extent necessary, we hereby acknowledge that the Board of Statutory Auditors is not aware of any decision taken by the competent Bodies, which is not compliant with the regulations of the Central Bank or with the laws;
- ✓ During the supervisory activities, no further significant facts emerged that would require to be mentioned in the document report.

STATEMENT OF OPERATIONS FOR THE F.Y. 2016

We have examined the Statement of Operations for the F.Y. ended on 31 December 2016, received on 01/06/2017, on which we have the following comments:

We have monitored its general approach, its overall compliance with the laws, as regards its formation and structure, and to this regard we have no particular remark to make;

We verified the compliance with the laws governing the preparation of the Statement of Operations, and to this regard we have no remark to make;

The Board of Statutory Auditors stayed in touch with the Auditing Company, and no relevant issue emerged that required specific in depth discussions; on the assessments made we have not been informed of any inappropriate conduct.

Conclusion

Given the facts outlined above, and keeping in mind that no irregular facts have emerged, nor contrary reservations been expressed, the Board of Statutory Auditors declares its opinion that - to the extent of its responsibility and to the best of its knowledge – the information presented conforms with the laws governing the drawing up and structuring of the Statement of Operations. Moreover, the aforesaid has been drawn up clearly, and truly and correctly represents assets and liabilities statements and the income position, and therefore invites the Meeting of the Shareholders to approve the Statement of Operations closed on 31 December 2016 in the form proposed by the Governing Council.

Finally, the members of the Board of Statutory Auditors would like to express their gratitude to the Governing Council, the Director General, the Deputy Director, the Management Body and the staff for their cooperation and willingness to facilitate the Members' understanding of the facts and the conduction of all of their above-mentioned supervisory checks.

San Marino, 01 June 2017

THE BOARD OF STATUTORY AUDITORS

Mr Fabio Rossi

Accountant Ms. Sandy Stefanelli

Mr Luca Marcucci



Auditing company report on the Statement of Operations for the financial year 2016



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 THE CBSM REGULATION NO. 2007-06 CURRENTLY IN FORCE

**To the PARTICIPANTS of the
Guarantee Fund for Depositors**

Report on the Statement of Operations

We have audited the Statement of Operations of the Guarantee Fund for Depositors, which comprises the assets and liabilities statements, the income position and by the notes to the Statement of Operations for the financial year ended on 31 December 2016, prepared by the Central Bank of the Republic of San Marino.

Directors' responsibilities for the Statement of Operations

The Directors of the Central Bank of the Republic of San Marino that manages the Fund are responsible for the preparation of the Statement of Operations, that give a true and correct representation, in compliance with Regulation no. 2007-06 issued by the Central Bank of the Republic of San Marino (hereinafter also referred to as the "Regulation").

Responsibilities of the Auditing Company

Our responsibility is to express an opinion on the Statement of Operations based on our audit. We conducted our audit in accordance with the international auditing principles. These principles require the compliance with ethical principles, as well as the planning and performance of the audit in order to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The audit entails the performance of procedures aimed at acquiring evidences in support of the amounts and information included in the Statement of Operations of the Fund. The procedures adopted depend on the professional opinion of the auditor, including the assessment of material misstatement in the Statement of Operations due to frauds or unintentional events or conducts. In making such risk assessments, the auditor takes into consideration the internal control related to the preparation of the Statement of Operations of the Fund, which would provide a true and correct representation in compliance with the Regulation, for the purpose of defining auditing procedures adequate in the circumstances, and not for expressing a judgement on the effectiveness of the internal control of the Central Bank of the Republic of San Marino that manages the Fund. The audit also includes the assessment on the adequacy of the valuation criteria and procedures adopted, of the reasonableness of the accounting estimates made by the Directors, and the assessment of the presentation of the Statement of Operations as a whole.

We believe that we collected sufficient and appropriate evidences to support our opinion.

Opinion

In our opinion, the Statement of Operations of the Fund represents the true and correct equity and financial performance of the Guarantee Fund for Depositors as at 31/12/2016 and the economic result for the financial year closed on such date, in compliance with the laws and measures of the Central Bank of the Republic of San Marino governing the criteria for their preparation.

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



Marco Stolfi
Director

San Marino, 01/06/2017

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