

BANCA  CENTRALE  
DELLA REPUBBLICA DI SAN MARINO

*Annual Report*  

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*2020*





# Annual Report 2020



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

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

<b>Governing Council</b>	
Catia Tomasetti	President
Francesco Mancini	Vice President
Gian Luca Amici	Member
Martina Mazza	Member
Antonella Mularoni	Member
Giacomo Volpinari	Member

<b>Board of Statutory Auditors</b>	
Pier Angela Gasperoni	President
Monica Zafferani <sup>1</sup>	Statutory Auditor
Valentina Di Francesco	Statutory Auditor

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

<b>Supervision Committee</b>	
Giuseppe Ucci	President
Giuliano Battistini	Internal Inspector
Marco Giulianelli	Internal Inspector
Maurizio Pappalardo	Internal Inspector
Andrea Vivoli	External Inspector

Information as at 31 December 2020

<sup>1</sup> Office held since 29 July 2020.





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# Governing Council Report on operations - FY 2020



## Dear Shareholders,

Below are the financial highlights and main economic-equity indicators for financial year 2020.

	2020	2019	Absolute	
			change	%
<b>Balance Sheet Total</b>	<b>749,375,244</b>	<b>517,151,864</b>	<b>232,223,380</b>	<b>44.90%</b>
Loans to credit institutions	354,156,582	81,209,659	272,946,923	336.10%
Loans to customers	87,136,156	92,246,651	-5,110,495	-5.54%
Bonds and other debt financial instruments	266,420,654	300,697,672	-34,277,018	-11.40%
Shares, quotas and other capital financial instruments	5,705	5,390	315	5.84%
Shareholdings	19,000,000	19,000,000	0	0%
Debts with credit institutions	424,505,315	265,412,612	159,092,703	59.94%
Debts with customers	256,741,004	181,501,611	75,239,393	41.45%
Debts represented by financial instruments	0	0	0	0%
Risks and Costs Funds	6,750,690	2,694,179	4,056,511	150.57%
Net equity <sup>1</sup>	56,343,023	61,299,309	-4,956,286	-8.09%
Interest margin	1,475,921	2,210,325	-734,404	-33.23%
Profits and losses from financial transactions	2,413,361	5,888,897	-3,475,536	-59.02%
Mediation margin	8,466,574	12,829,790	-4,363,216	-34.01%
Gross operating margin	-797,649	3,120,192	-3,917,841	-125.56%
Net result	-4,956,286	500,457	-5,456,743	-1,090.35%
Change in the Fund for general financial risks	4,956,286	-500,457	5,456,743	1,090.35%
Operating results	0	0	0	0%

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

## Net equity data

The figures reflected in the table and referring to 31 December 2020 and 31 December 2019 show first of all that the balance sheet total increased by EUR 232.22 million in the last financial year, from EUR 517.15 million to EUR 749.38 million.

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

**Funding** from banks and customers at 31 December 2020 totalled EUR 681.25 million compared to EUR 446.91 million at 31 December 2019, reflecting an increase of EUR 234.33 million.

More specifically, in the period under review:

- funding from banks increased overall by EUR 159.09 million (59.94%), with on demand deposits in particular increasing by EUR 163.22 million;
- Inflow from customers increased by EUR 75.24 million (41.45%), such increase also pertaining to on demand debts (more than EUR 80.50 million; 45.67%).

**Loans** to banks and to customers and holdings in the securities portfolio at 31 December 2020 stood at EUR 707.72 million compared to EUR 474.16 million as at 31 December 2019, up EUR 233.56 million.



More specifically:

- Loans to credit institutions increased, by EUR 272.95 million; the increase occurred both for on demand and other credits;
- Loans to customers decreased by EUR 5.11 million due to the repayment of instalments of outstanding loans.

With regard to the general increase in funding and consequently in loans, it should be noted that the increase in State liquidity, due to resources received from abroad, also contributed to it.

The **securities portfolio** recorded a total pricing at 31 December 2020 of EUR 266.43 million, down by EUR 34.28 million (-11.40%) compared to 31 December 2019.

Against the aforementioned increase in loans compared to the previous year, this decrease is due to internal decisions on management and resource allocation.

As shown in the relevant section of the Notes to the financial statements, the securities portfolio at 31 December 2020 is entirely composed of securities held for trading.

**Shareholdings.** The Central Bank held a single shareholding representing the entire capital of Banca Nazionale Sammarinese S.p.A. for a nominal value of EUR 19 million.

This shareholding stems from the application of Law No. 102/2019 "*Bank crisis resolution tools to protect the stability of the financial system*" with reference to the collapse of the former Banca CIS. The resolution programme referred to in Article 4 of said law, defined by the Supervision Committee, provided for the conversion into capital of pre-existing credit positions with the former Banca CIS by the Central Bank

This conversion was ordered by resolution of the General Meeting of the Central Bank Shareholders on 18 July 2019.

The shareholding did not lead to the establishment of a Banking Group related to the Central Bank and, as under Article 24 of Law No. 157 dated 19 November 2019, shareholdings acquired following the application of Article 10(7) of Law No. 102 dated 14 June 2019 "are excluded from the management and coordination activity by the Central Bank of the Republic of San Marino".

In accordance with this regulatory provision, the Governing Council of the Central Bank was not able to manage this holding directly, but constantly reminded the Management of the procedure to manage it efficiently.

Please refer to the Notes to the financial statements, in the appropriate Sections, for information concerning this Shareholding and the related assessment methods adopted.

As at 31 December 2020, **net equity** amounted to EUR 56,343,023 million and consisted of the endowment fund subscribed by the Most Excellent Chamber and by banks, reserves, general financial risk fund and operating margin, as detailed in the relevant section of the Notes to the financial statements. It showed a decrease of EUR 4.96 million, due to the use of the general financial risk fund.

To this regard, the Governing Council of the Bank, in order to cover the operating deficit recorded in 2020 and to stabilise the operating margin, resolved to use this fund, which operates as capital reserve available to the Management Body, and to close the financial year.



## Economic and Income Indicators

On the other hand, a review of the income indicators reflected in the statement of the reclassified profit and loss account shows that **mediation margin** (EUR 8.47 million) decreased compared to the figure posted in 2019 (EUR 12,83 million).

This result was affected by an increase across all of its components, including interest margin, revenues from services and, most notably, profits/losses from financial operations.

More specifically:

### - **Interest margin**

The value of this margin, which decreased by EUR 0.73 million compared to 2019, was substantially affected by the decrease in interest received, mainly due to the reduction in interest on debt securities, which occurred, among other things, as a result of the missing return received last year from the investment portfolio.

On the other hand, interest paid decreased compared to the previous year (EUR -0.17 million), due to both the change in interest rates applied to current accounts and the decrease in forward transactions paid.

### - **Service revenues**

They were essentially stable compared to the previous year, decreasing by EUR -0.15 million (-3.24%). This result was mainly affected by "Other operating proceeds", due to a lower recovery, in terms of amount, of sums levied from supervised parties and Central Credit Register charges incurred.

### - **Profits (losses) from financial transactions**

The net profits from financial operations of EUR 2.41 million (in 2019 it was EUR 5.89 million) decreased by EUR -3.48 million compared to last year. In detail, securities management resulted in a balance between capital gains and capital losses arising from valuation as at 31 December 2020 of EUR 0.79 million (as at 31 December 2019 it amounted to EUR 2.24 million) and trading gains equal to EUR 1.66 million (lower than the result as at 31 December 2019 by EUR -1.97 million). Moreover, as at 31 December 2020, there was a loss of EUR -33,758 on foreign currency valuation/trading (a profit of EUR 15,369 recorded as at 31 December 2019).

### **Focus on the global economic situation**

2020 will be remembered as the year of the explosion and spread of the Covid-19 pandemic across the world.

The virus, which developed in the Wuhan region of China, probably in the last quarter of 2019, then spread to Europe, the United States and the rest of the world in the early 2020s, causing hundreds of millions of infections and millions of deaths all over the world.

International and supranational organisations, governments and political and economic authorities were suddenly confronted with this as yet unknown virus and had to rapidly implement measures to combat the pandemic and safeguard public health of their respective countries and geographical areas, while at the same time trying not to severely penalise economy and international trade.



However, the impact of the pandemic has immediately had a disruptive effect on financial markets and on expectations of economic growth globally.

The pandemic undoubtedly altered economic growth at a global level, and the values recorded by the various countries and geographical areas fell sharply compared to those of the previous year, most of which were already suffering from an economic slowdown.

In detail, according to IMF data, the world economy fell by -3.5% compared to -2.8% in the previous year; the Eurozone as a whole fell by -7.2% compared to -1.2% in 2019, with sharp differences among countries, depending on the severity of the contagion, the measures put in place by national governments and the previous economic development situation.

Germany contracted by -5.4%, but France fared much worse with a GDP fall of -9.0% and Italy followed with -9.2%. In 2019, the same economies had recorded growth of 0.6%, 1.5% and 0.3% respectively.

The United States of America recorded a contraction of -3.4%, while in 2019 the figure was +2.2%.

Among the major economies, Japan showed a drop of -5.1% against a growth of 0.3% in 2019.

Developing economies as a whole suffered a drop in the Gross Domestic Product of -2.4% while they had contributed by 3.6% to global growth in 2019.

In detail, despite the impact of Covid-19, China was able to post a 2.3% growth progress, albeit more than halved compared to 2019 figure of 6%.

On the other hand, India showed a drop of -8% compared to 2019 where economic growth was 4.2%.

Russia declined by -3.6% compared to 1.3% growth in the previous year.

Among Latin America's emerging economies, Brazil, which was particularly hard hit in terms of casualties due to the pandemic, saw its GDP drop by -4.5% against a 1.4% growth in 2019; Mexico even recorded a -8.5%, following a 2019 also declining but only by -0.1%.

Finally, among the emerging countries of the Middle East and Africa, Saudi Arabia fell by -3.9%, Nigeria by -3.2% and South Africa by -7.5%. In 2019, the figure for these three countries was +0.3%, +2.2% and +0.2% respectively.

In order to fight against the spread of the pandemic from health, social and economic viewpoints, States and monetary authorities deployed massive public health protection measures, which mainly took the form, in the various geographical areas, of various levels of restrictions on the movement of people and the search for medical and hospital facilities to limit the effects on sick people.

On the other hand, the monetary authorities, primarily the Federal Reserve and the ECB, have injected huge amounts of liquidity into the financial markets, so as to ensure the best possible liquidity conditions for markets and financial operators.

These manoeuvres prevented the sharp fall in the prices of most financial instruments and the worsening of the creditworthiness of the main issuers from turning into potential liquidity crises with consequent bankruptcies of banks, financial institutions and companies.

While the spread of the pandemic in the most advanced economies led to sharp falls in stock and bond markets, the support measures put in place by monetary and political authorities were tools that gradually restored confidence in financial markets and thus allowed bonds and equities to recover in value.



Still focusing on balance sheet figures, it should be stressed that mediation margin (EUR 8.47 million) no longer proves to be adequate to support operating costs (administrative costs and value adjustments on intangible and tangible fixed assets), totalling EUR 9.26 million, showing a EUR 0.45 million decrease in 2020.

In the 2020 financial year, the **gross operating margin** was negative and equal to EUR -0.8 million (in 2020 it was positive and equal to EUR 3.12 million).

Regarding the administrative costs, it should be noted that since 2019, the Governing Council, as pursuant to the provisions of Article 52 of Law No. 173 dated 24 December 2018, approved an "operating cost rationalisation project" by:

- Reducing labour costs as a result of a three-year corporate agreement entered into with employees in 2019, such agreement having an impact on some important aspects of collective labour agreements currently in force.
- Adopting a budget contemplating a 20% reduction in other administrative costs compared to 2018.

The project, which is constantly monitored by the Governing Council, generated a cost reduction of EUR -0.42 million in 2020 compared to the previous year (-4.46%). The reduction concerned labour costs (EUR -0.02 million) and other administrative costs (EUR -0.4 million). Comparing the figures with those of 2018, the reduction in operating costs implemented in 2020 amounts to EUR -2.77 million (-23.66%). These results prove the commitment and efforts by the Institute since 2019.

With reference to the other items contributing to the **net operating income**, the provisions for risks and charges increased compared to 2019. With particular reference to the latter, reference should be made to the Notes to the financial statements, for the probable losses arising from the subsidiary Banca Nazionale Sammarinese S.p.A. as a result of the application of Decree no. 126 dated 27 July 2020.

The balance of **extraordinary operations** stood at EUR 0.02 million.

The final **net operating income** stood at EUR -4.96 million.

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

With regard to "Guarantees and Commitments", the situation is almost unchanged compared to 2019.

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

## Human Resources and Corporate Staff

The number of staff decreased compared to the previous year and as at 31 December 2020 amounted to 92 resources, although the average number of those actually present was 82.36. The figures also take into account the staff assigned to the Financial Intelligence Agency, which had 13 employees as at 31 December 2020, with an average of those actually present of 12.57 resources.

Given the role of CBSM as Sole Shareholder of Banca Nazionale Sammarinese S.p.A., between the end of 2019 and the first half of 2020, some temporary secondments have been arranged for a more efficient management of personnel, in order to fill temporary absences of professional figures.

The Directorate General, also for 2020, was composed of the Deputy Director acting as Director General, Mr Giuseppe Ucci, and the Deputy Director, Dr Daniele Bernardi; the latter also served as Director General of BNS S.p.A. from 21 August 2019 to 20 February 2020.

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

The Supervision Committee, chaired by the Acting Deputy Director, had up to five Internal Inspectors and one External Inspector during the year.

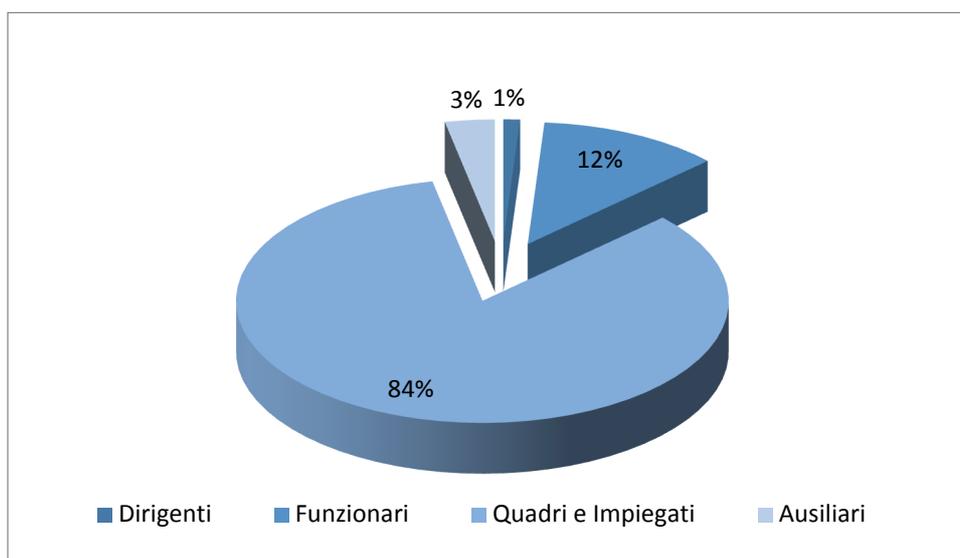
### Staff resources and personnel actually present

Unit to which the personnel belongs	Staff on the payroll	Personnel actually present on a yearly basis
Deputy Director and staff organisational units	32.00	26.45
Supervision Department - statutory function	25.00	22.18
Payment System Department - statutory function	5.00	4.70
Overdue Tax Collection Department - statutory function	9.00	7.69
Treasury Department - statutory function	6.00	4.77
Finance Department - relevant function	2.00	2.00
Financial Intelligence Agency	13.00	12.57
BNS S.p.A. employees seconded to CBSM	-	2.00
<b>Total employees</b>	<b>92.00</b>	<b>82.36</b>
Ongoing consultancies: Acting Deputy Director, External Inspector and Head of Internal Audit Service	-	3.00



With regard to the contractual categories, 1.09% of employees belong to the category of Senior Officers, 11.96% to that of Officers, 83.70% are Front Office Managers and Clerks and 3.26% are Support Staff.

### Contractual categories



In 2020, a Business Continuity working group was set up to deal with the health emergency caused by the spread of the COVID-19 virus; in this context, the Bank achieved the objective of maintaining the full operation of all functions, thanks to a greater digitalisation, and of protecting the health and safety of employees through greater distancing and the use of special devices.

In order to reduce the risk of contagion, efforts have been made to reduce the presence of staff in the offices as much as possible and recourse has been made to working from home, as governed by Article 1(1)(e) of Decree Law No. 44 dated 8 March 2020 and subsequent amendments and Article 6 of Decree Law No. 122 dated 24 July 2020, as well as to holidays and leave, including unpaid leave; the latter measure has allowed, among other things, to reduce labour costs.

Training, especially due to the health emergency, fell sharply in the first half of the year, while in the second half we tried to take advantage of as many opportunities as possible through training courses on site, online or held by Bank's Executives who were able to share their know-how with their colleagues; average training hours per employee were around 7.25.

With regard to inclusion and diversity management, the introduction of the Diversity & Inclusion Coordination is highlighted, which will support the Ethics Committee in continuing to build an inclusive culture where everyone can contribute to a better workplace and create the conditions to feel comfortable, respected and valued even in diversity.

Finally, it should be noted that, as part of the spending review process implemented in recent years, the application of the Solidarity Agreement signed with employees, together with the Trade Unions and A.N.I.S., is confirmed, valid for the three-year period 2019-2021.

## Organisation chart

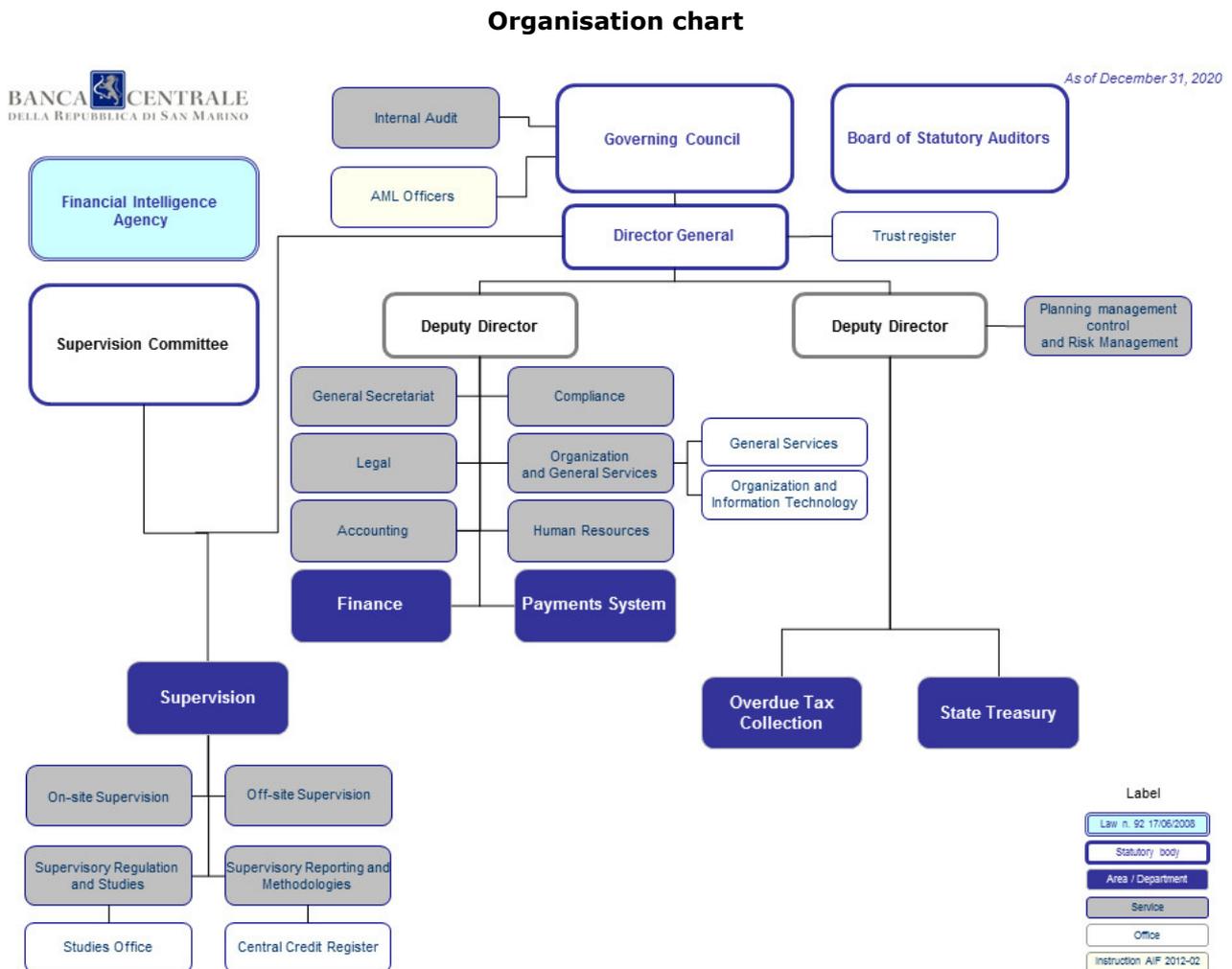
During 2020, the Bank's organisational chart did not change significantly compared to 31 December 2019.

The Research Office was set up within the Regulatory Supervision and Research Department. Its duties include:

- Conducting research on and gaining insights into economic matters and financial legislation;
- Preparing financial system-related strategic analysis reports.

In addition, some Organisational Units were relocated, while maintaining their relevant functions:

- the "Human Resources" Office has been extrapolated from the "Organisation, Human Resources and General Services" Service and reports now to the Deputy Director;
- responsibility was redistributed to the two Deputy Directors of the "Planning, Management Control and Risk Management" and "Finance and Payment System" Departments. These measures are also aimed at strengthening the control functions.



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

No relevant facts were recorded after the closure of the financial year.



## Operating outlook

Also in 2021, the global health emergency due to the Covid-19 pandemic affected the Republic of San Marino. In this regard, many regulatory measures were taken, followed by a number of application and interpretation circulars that affected all sectors of the social and economic life and, clearly, also had an impact on the Bank.

In this connection, it should be noted that since last year the Bank has been making considerable organisational efforts to (i) deal with the situation during the months of the emergency, ensuring business continuity, and (ii) comply with the new regulations laid down by law in order to manage the operational and restart phase safely.

In the light of the foregoing, it was considered that the conditions for business to continue were met.

In this regard, it should be noted that the cost rationalisation started in 2019 is ongoing. Indeed, at the beginning of the year under review, the Bank approved a budget for FY 2021 with cost savings in excess of 20% (under Law No. 173 dated 20 December 2018) compared to 2018, while the Employee Agreement dated 2019 will continue to have effect in the coming year.

### Dear Shareholders,

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

	Figures shown in EUR
Endowment Fund	12,911,425
Ordinary Reserve Fund	1,274,013
Statutory Reserve Fund	9,627,277
Fund for General Financial Risks	32,530,308
Other Equity Reserves	0
<b>Total Net Equity</b>	<b>56,343,023</b>

### Dear Shareholders,

The Governing Council's report on operations for financial year 2020 was read out to you.

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

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

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

San Marino, 26th May 2021



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# 2020 Financial Statements



## Balance Sheet Assets

Assets items	2020		2019	
<b>10. CASH BALANCE AND FUNDS AVAILABLE AT CENTRAL BANKS AND POST OFFICES</b>		<b>15,819,246</b>		<b>13,498,523</b>
<b>20. TREASURY BONDS AND SIMILAR FINANCIAL INSTRUMENTS, ELIGIBLE FOR REFINANCING PURPOSES AT CENTRAL BANKS</b>		<b>0</b>		<b>0</b>
a) Treasury bonds and other similar financial instruments	0		0	
b) other financial instruments eligible for refinancing purposes at central banks	0		0	
<b>30. LOANS TO CREDIT INSTITUTIONS</b>		<b>354,156,582</b>		<b>81,209,659</b>
a) on demand	208,927,356		81,019,950	
b) other credits	145,229,226		189,709	
<b>40. LOANS TO CUSTOMERS</b>		<b>87,136,156</b>		<b>92,246,651</b>
a) on demand	229,182		219,493	
b) other credits	86,906,974		92,027,158	
<b>50. BONDS AND OTHER FINANCIAL INSTRUMENTS DEBT</b>		<b>266,420,654</b>		<b>300,697,672</b>
a) issued by public institutions	47,811,244		19,810,572	
b) issued by credit institutions	114,755,588		188,692,285	
c) issued by financial companies other than credit institutions	80,544,039		73,255,661	
d) issued by other institutions	23,309,783		18,939,154	
<b>60. SHARES, QUOTAS AND OTHER CAPITAL FINANCIAL INSTRUMENTS</b>		<b>5,705</b>		<b>5,390</b>
<b>70. SHAREHOLDINGS</b>		<b>19,000,00</b>		<b>19,000,000</b>
a) financial companies	19,000,000		19,000,000	
b) non-financial companies	0		0	
<b>80. SHAREHOLDINGS IN UNDERTAKINGS OF THE GROUP</b>		<b>0</b>		<b>0</b>
a) financial companies	0		0	
b) non-financial companies	0		0	
<b>90. INTANGIBLE FIXED ASSETS</b>		<b>215,185</b>		<b>250,335</b>
a) financial leasing	0		0	
- of which assets under construction	0		0	
b) assets pending financial leasing for termination of leasing agreement	0		0	
- of which for breach of the lessee	0		0	

Assets items	2020		2019	
c) assets available resulting from debt recovery	0		0	
- of which assets available for repayment of loan through a settlement agreement	0		0	
c) goodwill	0		0	
e) start-up expenses	0		0	
f) other intangible fixed assets	215,185		250,335	
<b>100. TANGIBLE FIXED ASSETS</b>		<b>3,116,231</b>		<b>3,317,760</b>
a) financial leasing	0		0	
- of which assets under construction	0		0	
b) assets pending financial leasing for termination of leasing agreement	0		0	
- of which for breach of the lessee	0		0	
c) assets available resulting from debt recovery	0		0	
- of which assets available for repayment of loan through a settlement agreement	0		0	
d) lands and buildings	3,028,231		3,217,376	
e) other tangible fixed assets	88,000		100,384	
<b>110. SUBSCRIBED CAPITAL NOT PAID IN</b>		<b>0</b>		<b>0</b>
- of which called-up capital	0		0	
<b>120. OWN SHARES OR UNITS</b>		<b>0</b>		<b>0</b>
<b>130. OTHER ASSETS</b>		<b>3,390,961</b>		<b>6,881,980</b>
<b>140. ACCRUED REVENUES AND DEFERRED EXPENSES</b>		<b>114,524</b>		<b>43,894</b>
a) accrued revenues	0		0	
b) deferred expenses	114,524		43,894	
<b>150. TOTAL ASSETS</b>		<b>749,375,244</b>		<b>517,151,864</b>



## Balance Sheet Liabilities

Liabilities items	2020		2019	
<b>10. DEBTS WITH CREDIT INSTITUTIONS</b>		<b>424,505,315</b>		<b>265,412,612</b>
a) on demand	324,131,896		160,912,567	
b) term or notice debts	100,373,419		104,500,045	
<b>20. DEBTS WITH CUSTOMERS</b>		<b>256,741,004</b>		<b>181,501,611</b>
a) on demand	256,741,004		176,245,500	
b) term or notice debts	0		5,256,111	
<b>30. DEBTS REPRESENTED BY FINANCIAL INSTRUMENTS</b>		<b>0</b>		<b>0</b>
a) bonds	0		0	
b) certificates of deposit	0		0	
c) other financial instruments	0		0	
<b>40. OTHER LIABILITIES</b>		<b>4,553,965</b>		<b>5,674,904</b>
- of which cheques in circulation and other securities	274,907		384,859	
<b>50. ACCRUED EXPENSES AND DEFERRED REVENUES</b>		<b>27,646</b>		<b>64,079</b>
a) accrued expenses	0		0	
b) deferred revenues	27,646		64,079	
<b>60. STAFF RETIREMENT ALLOWANCES</b>		<b>453,601</b>		<b>505,170</b>
<b>70. RISKS AND COSTS FUNDS</b>		<b>6,750,690</b>		<b>2,694,179</b>
a) retirement funds and similar provisions	0		0	
b) tax fund	0		0	
c) other funds	6,750,690		2,694,179	
<b>80. FUND FOR CREDIT RISKS</b>		<b>0</b>		<b>0</b>
<b>90. FUND FOR GENERAL FINANCIAL RISKS</b>		<b>32,530,308</b>		<b>37,486,594</b>
<b>100. SUBORDINATED LIABILITIES</b>		<b>0</b>		<b>0</b>
<b>110. SUBSCRIBED CAPITAL</b>		<b>12,911,425</b>		<b>12,911,425</b>
<b>120. SHARE PREMIUM</b>		<b>0</b>		<b>0</b>
<b>130. RESERVES</b>		<b>10,901,290</b>		<b>10,901,290</b>
a) ordinary or legal reserve	1,274,013		1,274,013	
b) reserve for own shares or units	0		0	
c) statutory reserves	9,627,277		9,627,277	
d) other reserves	0		0	

Liabilities items	2020		2019	
<b>140. REVALUATION RESERVE</b>		<b>0</b>		<b>0</b>
<b>150. PROFITS (LOSSES) CARRIED FORWARD</b>		<b>0</b>		<b>0</b>
<b>160. OPERATING PROFIT (LOSS)</b>		<b>0</b>		<b>0</b>
<b>170. TOTAL LIABILITIES</b>		<b>749,375,244</b>		<b>517,151,864</b>



## Guarantees and commitments

Items	2020	2019
<b>10. GUARANTEES ISSUED</b>	<b>2,104,748</b>	<b>2,004,748</b>
- of which:		
a) acceptances	0	0
b) other guarantees	2,104,748	2,004,748
<b>20. COMMITMENTS</b>	<b>0</b>	<b>300,293</b>
- of which:		
a) for certain use	0	300,293
- <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
<b>TOTAL</b>	<b>2,104,748</b>	<b>2,305,041</b>

## Profit and loss account

Items of the profit and loss account	2020	2019
<b>10. INTEREST RECEIVED AND OTHER PROCEEDS</b>	<b>1,491,688</b>	<b>2,399,618</b>
a) on loans to credit institutions	-317,569	-92,441
b) on loans to customers	1,227,383	1,084,523
c) on debt securities	581,874	1,407,536
<b>20. INTEREST PAID AND OTHER COSTS</b>	<b>-15,767</b>	<b>-189,293</b>
a) on debts with credit institutions	-2,542	-123,120
b) on debts with customers	-13,225	-66,173
c) on debts represented by securities	0	0
<i>-of which on subordinated debt</i>	<i>0</i>	<i>0</i>
<b>30. DIVIDENDS AND OTHER PROCEEDS</b>	<b>0</b>	<b>0</b>
a) on shares, quotas and other capital securities	0	0
b) on shareholdings	0	0
c) on shareholdings in undertakings of the group	0	0
<b>40. COMMISSIONS EARNED</b>	<b>2,268,806</b>	<b>2,269,278</b>
<b>50. COMMISSIONS PAID</b>	<b>-142,894</b>	<b>-142,826</b>
<b>60. PROFITS (LOSSES) FROM FINANCIAL TRANSACTIONS</b>	<b>2,413,361</b>	<b>5,888,897</b>
<b>70. OTHER OPERATING PROCEEDS</b>	<b>2,559,400</b>	<b>2,714,726</b>
<b>80. OTHER OPERATING COSTS</b>	<b>-108,020</b>	<b>-110,610</b>
<b>90. ADMINISTRATIVE COSTS</b>	<b>-8,928,189</b>	<b>-9,344,975</b>
a) labour costs	-6,140,054	-6,166,021
of which:		
- wages and salaries	-4,309,049	-4,306,424
- pension contributions	-1,141,570	-1,136,340
- staff retirement allowances	-452,385	-481,978
- severance and indemnity-related costs	0	0
- directors and statutory auditors	-231,570	-222,782
- other labour costs	-5,480	-18,497
b) other administrative costs	-2,788,135	-3,178,954
<b>100. VALUE ADJUSTMENTS ON INTANGIBLE FIXED ASSETS</b>	<b>-100,506</b>	<b>-128,066</b>
<b>110. VALUE ADJUSTMENTS ON TANGIBLE FIXED ASSETS</b>	<b>-235,528</b>	<b>-236,557</b>
<b>120. PROVISIONS FOR RISKS AND CHARGES</b>	<b>-4,219,481</b>	<b>-2,369,345</b>
<b>130. PROVISIONS FOR LOAN LOSSES</b>	<b>0</b>	<b>0</b>
<b>140. VALUE ADJUSTMENTS ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS</b>	<b>-30,270</b>	<b>-112,553</b>
<b>150. VALUE RECOVERIES ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS</b>	<b>67,061</b>	<b>0</b>



Items of the profit and loss account	2020	2019
<b>160. VALUE ADJUSTMENTS ON FINANCIAL FIXED ASSETS</b>	<b>0</b>	<b>0</b>
<b>170. VALUE RECOVERIES ON FINANCIAL FIXED ASSETS</b>	<b>0</b>	<b>0</b>
<b>180. PROFIT (LOSS) ON ORDINARY ACTIVITIES</b>	<b>-4,980,339</b>	<b>638,294</b>
<b>190. EXTRAORDINARY PROCEEDS</b>	<b>25,444</b>	<b>165,241</b>
<b>200. EXTRAORDINARY COSTS</b>	<b>-1,391</b>	<b>-303,078</b>
<b>210. EXTRAORDINARY PROFIT (LOSS)</b>	<b>24,053</b>	<b>-137,837</b>
<b>220. INCOME TAX FOR THE FINANCIAL YEAR</b>	<b>0</b>	<b>0</b>
<b>230. CHANGE IN THE FUND FOR GENERAL FINANCIAL RISKS</b>	<b>4,956,286</b>	<b>-500,457</b>
<b>240. OPERATING PROFIT (LOSS)</b>	<b>0</b>	<b>0</b>

## Reclassified profit and loss account

Items of the Reclassified profit and loss account	2020	2019
1 - Interest received and other proceeds	1,491,688	2,399,618
2 - Interest paid and other costs	-15,767	-189,293
<b>A - Interest margin</b>	<b>1,475,921</b>	<b>2,210,325</b>
3 - Commissions earned	2,268,806	2,269,278
4 - Commissions paid	-142,894	-142,826
5 - Other operating proceeds	2,559,400	2,714,726
6 - Other operating costs	-108,020	-110,610
<b>B - Service revenues</b>	<b>4,577,292</b>	<b>4,730,568</b>
7 - Dividends and other proceeds	0	0
8 - Profits (losses) from financial transactions	2,413,361	5,888,897
<b>C- Mediation margin (A+B+7+8)</b>	<b>8,466,574</b>	<b>12,829,790</b>
9 - Administrative costs	-8,928,189	-9,344,975
10 - Value adjustments on intangible and tangible fixed assets	-336,034	-364,623
<b>D - Operating costs</b>	<b>-9,264,223</b>	<b>-9,709,598</b>
<b>E - Gross operating margin (C-D)</b>	<b>-797,649</b>	<b>3,120,192</b>
11 - Provisions for risks and charges	-4,219,481	-2,369,345
12 - Provisions for loan losses	0	0
13 - Value adjustments on credits and provisions for guarantees and commitments	-30,270	-112,553
14 - Value recoveries on credits and provisions for guarantees and commitments	67,061	0
15 - Value adjustments on financial fixed assets	0	0
16 - Value adjustments and recoveries on financial fixed assets	0	0
<b>F - Net operating income</b>	<b>-4,182,690</b>	<b>-2,481,898</b>
17 - Extraordinary proceeds	25,444	165,241
18 - Extraordinary costs	-1,391	-303,078
<b>G - Gross operating margin of extraordinary operations</b>	<b>24,053</b>	<b>-137,837</b>
<b>H. Gross margin</b>	<b>-4,956,286</b>	<b>500,457</b>
19 - Income taxes for the financial year	0	0
<b>I - Net result*</b>	<b>-4,956,286</b>	<b>500,457</b>
20 - Change in the fund for general financial risks	4,956,286	-500,457
<b>Operating results</b>	<b>0</b>	<b>0</b>

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





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## Notes to the financial statements



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## Notes to the financial statements

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### Structure and Contents of the Financial Statements

#### PART A – General Part

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

##### Section 2 - Adjustments and Provisions

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

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

#### PART D - OTHER INFORMATION

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### Structure and Contents of the Financial Statements

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The 2020 Annual Report has been prepared in accordance with the laws currently in force, in particular according to Law No. 96 dated 29 June 2005 (Central Bank Statutes), Law No. 165 dated 17 November 2005 (Law on Companies and Banking, Financial and Insurance Services) and Law No. 47 dated 23 February 2006 (Company Law), as amended from time to time.

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

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

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

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

In order to facilitate 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 single items of the financial statements, it should be noted that such items are stated in EUR units, obtained by rounding off the corresponding sum in decimals, that is by the sum of the rounded-off totals of sub-items.

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

It should also be noted that the Notes to the financial statements do not include detailed tables when the item in question does not show accounting results in the two financial years of reference. Similarly, the sections relating to activities and/or cases that cannot be exercised and/or applied due to the above-mentioned peculiarities have not been included (Tables not filled in): 2.1-3.3-3.4-4.4-4.5-5.2-6.3-6.5-6.7-8.3-8.4-9.1-10.1-15.1-16.2-18.3-18.5-19.2-19.4-19.6-19.7-20.3-20.5-20.6-20.8-20.9-20.10-21.2-21.4-21.5-23.1-24.3-28.3-28.5-28.7-28.8-31.1-32.1-32.2-33.1-35.1-35.2-36.1-36.2-36.3-37.1).



### • Section 1 - Illustration of valuation criteria

The 2020 Annual Report has been prepared in accordance with the general principles of prudence, accrual and going concern, giving preference, where possible, to substance over form, and to the time of settlement of transactions over that of negotiation.

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

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

#### CREDITS

- Loans to credit institutions: these were shown at nominal value, corresponding to their assumed realisable value; they also included the portion of interest accrued and matured at the reporting date.
- Loans to customers: these were carried at their assumed realisable value, corresponding to their nominal value; they also included the portion of interest accrued and matured at the reporting date.
- Other credits (held under "Other assets"): other credits were shown at their assumed realisable value, corresponding to their nominal value.

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

#### BONDS AND OTHER DEBT FINANCIAL INSTRUMENTS

The securities portfolio as of 31 December 2020 is entirely made up of securities held for trading not only for investment but also for treasury and trading purposes. These securities are valued at the market value recorded on the last working day of the financial year, provided by the appointed provider. These values were subject to an additional internal valuation, for prudential purposes, on the basis of prices obtained from leading counterparties.

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

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

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

Only one share (of limited amount) was accounted for, in respect of which reference was made to the value notified by the issuer as at 31 December 2020 — since no market price was provided.

#### SHAREHOLDINGS

The 100% holdings in the Banca Nazionale Sammarinese only are present, whose holding did not lead to the establishment of a Banking Group related to the Central Bank. As under Article 24 of Law No. 157 dated 19 November 2019, shareholdings acquired following the application of Article 10(7) of Law No. 102 dated 14 June 2019 are excluded from the management and coordination activity by the Central Bank of the Republic of San Marino.

The BNS shareholding was carried at nominal value rather than at purchase cost/net equity, in accordance with Article 24 of Law No. 157/2019.

As this item was appropriately carried at nominal value (rather than at cost/net equity), it was not subject to impairment test.



The impairment loss is determined by comparing the carrying amount of the shareholding with its recoverable amount, which is determined based on the future benefits expected to flow into the investor's business.

In the event of impairment losses on shareholdings, they must be written down.

#### INTANGIBLE FIXED ASSETS

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

They included:

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

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

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

#### TANGIBLE FIXED ASSETS

They are accounted for at purchase cost, including any ancillary charges. No write-downs and/or revaluations of value were made during 2020.

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

#### ACCRUED REVENUES AND DEFERRED EXPENSES

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

#### OTHER ASSETS AND OTHER LIABILITIES

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

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

#### ASSETS AND LIABILITIES IN FOREIGN CURRENCY

Assets and liabilities denominated in foreign currencies were shown in Euro, based on the European Central Bank's exchange rate bulletin dated 30 December 2020.

The aggregate amount of assets and liabilities in foreign currency totalled EUR 304,651 and EUR 814, respectively.

#### DEBTS

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



#### STAFF RETIREMENT ALLOWANCES

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

#### RISKS AND COSTS FUNDS

They are set up to cover losses or debts whose existence is certain or likely, but whose amount or date of occurrence could not be determined at the end of the financial year. While evaluating these funds, the general criteria of prudence and accrual have been respected and no generic risk provisions without economic justification have been set up. Contingent liabilities were recognised in the financial statements and included in the funds as they were considered likely and the amount of the related charge was reasonably estimated.

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

#### FUND FOR GENERAL FINANCIAL RISKS

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

#### GUARANTEES AND COMMITMENTS

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

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

#### INTEREST, COMMISSIONS, COSTS AND PROCEEDS

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

#### MEMORANDUM ACCOUNTS

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

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

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



## Assets

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

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

	31 December 2020	31 December 2019	Changes	
			Amount	%
Cash balance and available funds at central banks and post offices:				
Cash and available funds	15,819,246	13,498,523	2,320,723	17.19%
<b>Total</b>	<b>15,819,246</b>	<b>13,498,523</b>	<b>2,320,723</b>	<b>17.19%</b>

The vault cash consisted of euro-denominated notes and coins totalling EUR 15,816,719, including cash available at the company used to discharge centralised cash management duties and cash on hand (EUR 99) maintained with the Single Court of San Marino for legal notification expenses. It also included foreign currencies for an equivalent of EUR 2,527.

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

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

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

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

	31 December 2020			31 December 2019			Change	
	In EUR	In foreign currency	Total	In EUR	In foreign currency	Total	Total amount	%
Loans to credit institutions:								
A) On demand:	208,634,848	292,508	208,927,356	80,779,852	240,098	81,019,950	127,907,406	157,87%
A1. Mutual accounts opened for services rendered	3,610,350	0	3,610,350	3,400,443	0	3,400,443	209,907	6.17%
A2. Current accounts with a credit balance	205,024,498	292,508	205,317,006	77,379,409	240,098	77,619,507	127,697,499	164.52%
A3. Others	0	0	0	0	0	0	0	0%
B) Other credits	145,229,226	0	145,229,226	189,709	0	189,709	145,039,517	76,453.68%
B1. Term deposits	145,229,226	0	145,229,226	0	0	0	145,229,226	n.a.
B2. Current accounts with a credit balance	0	0	0	0	0	0	0	0%
B3. Repurchase agreements and repos	0	0	0	0	0	0	0	0%
B4. Others	0	0	0	189,709	0	189,709	-189,709	-100%
<b>Total</b>	<b>353,864,074</b>	<b>292,508</b>	<b>354,156,582</b>	<b>80,969,561</b>	<b>240,098</b>	<b>81,209,659</b>	<b>272,946,923</b>	<b>336.10%</b>

Loans to banks as at 31 December 2020 register an aggregate increase of 336.10% compared to 31 December 2019, resulting from the increase in on demand credits as well as term credits.

This change is due to ordinary activities and treasury choices. It is partly due to an increase in State liquidity, as a result of resources received from abroad.

This item includes interest accrued and overdue at year end on on demand loans to banks, amounting to -EUR 100,712 (recognition of negative interest received).

With regard to Banca Nazionale Sammarinese S.p.A., it should be noted that the receivables as at 31 December 2019 (EUR 189,709), as a result of the provisions contained in Delegated Decree no. 126 dated 27 July 2020, have been fully converted into bonds issued by the same BNS. As at 31 December 2020, the subsidiary had no due amounts under "Loans to credit institutions".

The credits described in this section are not subordinate.



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

Categories/Amounts	31 December 2020			31 December 2019		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A) Non-performing loans:	0	0	0	0	0	0
A1. Bad loans	0	0	0	0	0	0
A2. Problem loans	0	0	0	0	0	0
A3. Restructured loans	0	0	0	0	0	0
A4. Overdue/past due loans	0	0	0	0	0	0
A5. Unsecured loans towards countries at risk	0	0	0	0	0	0
B) Performing loans	354,156,582	0	354,156,582	81,209,659	0	81,209,659
<b>Total</b>	<b>354,156,582</b>	<b>0</b>	<b>354,156,582</b>	<b>81,209,659</b>	<b>0</b>	<b>81,209,659</b>

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

No "non-performing loans to credit institutions" were recognised either as at 31 December 2020 or 31 December 2019.

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

No "value adjustments of loans to credit institutions" were recognised either as at 31 December 2020 or 31 December 2019.



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

<b>MATURITY</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
On demand	208,927,633	81,020,259
Within 3 months	145,229,226	0
After 3 to 6 months	-277	-309
After 6 to 12 months	0	0
After 12 to 18 months	0	0
After 18 to 24 months	0	0
After 2 to 5 years	0	0
Over 5 years	0	0
Without maturity	0	189,709
<b>Total</b>	<b>354,156,582</b>	<b>81,209,659</b>

With regard to the residual life of the loans to banks, as also shown in table 3.5, as at 31 December 2020, the majority of such loans were payable on demand.

It should be noted that the figures with a negative sign shown in the table within the three-to-six-month maturity range refer to negative interest received, accrued in 2020.

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



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

	31 December 2020			31 December 2019			Changes	
	In EUR	In foreign currency	Total	In EUR	In foreign currency	Total	Total amount	%
A) On demand/until revoked:	229,182	0	229,182	219,493	0	219,493	9,689	4.41%
A1. Current accounts with a credit balance	229,182	0	229,182	219,493	0	219,493	9,689	4.41%
A2. Others	0	0	0	0	0	0	0	0%
B) Other credits:	86,906,974	0	86,906,974	92,027,158	0	92,027,158	-5,120,184	-5.56%
B.1 Current accounts with a credit balance	82,781,274	0	82,781,274	87,719,033	0	87,719,033	-4,937,759	-5.63%
B2. Portfolio discounted and subject to collection	0	0	0	0	0	0	0	0%
B3. Repurchase agreements and repos	0	0	0	0	0	0	0	0%
B4. Other loans	4,125,700	0	4,125,700	4,308,125	0	4,308,125	-182,425	-4.23%
<b>Total</b>	<b>87,136,156</b>	<b>0</b>	<b>87,136,156</b>	<b>92,246,651</b>	<b>0</b>	<b>92,246,651</b>	<b>-5,110,495</b>	<b>-5.54%</b>

"Loans to customers" mainly refer to credit positions with the Public Administration and, to a lesser extent, to loans to employees of the Central Bank itself. The overall change showed by the item compared to the previous year is due to the decrease in "Other credits", in particular in "Other credits - current accounts with a credit balance", which include three loans to the Most Excellent Chamber, respectively of:

- EUR 60 million, opened in December 2012, with repayment starting on 30 November 2014 and maturity on 31 May 2020. On 26 November 2014, the maturity of said loan as at 30 June 2026 was extended, and consequently the repayment instalments were halved to EUR 2.5 million, whereas the first instalment was cashed on 31 December 2014. As at 31 December 2020, the residual credit is equal to EUR 27.5 million;
- EUR 25 million, raised in December 2017 and increased to EUR 35 million in February 2018, with payoff date initially set on 31 December 2018 and later extended until full repayment occurred in March 2021;
- EUR 20 million, raised in December 2018 and with payoff date initially set on 30 June 2019, and later extended until full repayment occurred in March 2021.
- The decrease was due to the repayment of the instalments occurred in 2020.

As at 31 December 2020, "Other credits - other loans" also showed a decrease, such item including the residual credit of an unsecured mortgage loan taken over by the Central Bank in 2017 as creditor of the Most Excellent Chamber (EUR 2.67 million). The item also includes loans disbursed to employees of CBSM, which slightly increased compared to 2019 (mortgage loans totalling EUR 1.46 million).

In relation to the latter, the Bank received mortgage guarantees from its employees amounting to EUR 3,144,517 and sureties amounting to EUR 269,048, as shown in table 4.2 below.

“Interest to be debited to customers”, accrued and overdue at year end, totalling EUR 281,613, was held under “On demand - current accounts with a credit balance” and “Other credits - current accounts with a credit balance”.

The Central Bank did not hold any shareholdings in corporate customers. Therefore, as at 31 December 2020 no credit positions were maintained with subsidiaries and associated companies or companies linked by a participating interest. Likewise, no loans granted to the members of the administrative, management and control bodies were in place.

The credits described in this section are not subordinate.

**Table 4.2: Secured loans to customers**

	31 December 2020	31 December 2019	Changes	
			Amount	%
A) From mortgages	1,459,200	1,108,325	350,875	31.66%
B) From liens on:	0	0	0	0%
1. cash deposits	0	0	0	0%
2. securities	0	0	0	0%
3. other assets	0	0	0	0%
C) From guarantees provided by:	0	0	0	0%
1. Public Administrations	0	0	0	0%
2. Monetary financial institutions	0	0	0	0%
3. Investment funds other than monetary mutual funds	0	0	0	0%
4. Other financial companies	0	0	0	0%
5. Insurance undertakings	0	0	0	0%
6. Pension funds	0	0	0	0%
7. Non-financial companies	0	0	0	0%
8. e) Households and not-for-profit institutions servicing households	0	0	0	0%
- 8.1 Consumer and producer households	0	0	0	0%
- 8.2 Not-for-profit institutions servicing households	0	0	0	0%
9. Others	0	0	0	0%
<b>Total</b>	<b>1,459,200</b>	<b>1,108,325</b>	<b>350,875</b>	<b>31.66%</b>



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

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

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

Categories/Amounts	31 December 2020			31 December 2019		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
A) Non-performing loans:	0	0	0	0	0	0
A1 Bad loans	0	0	0	0	0	0
A2. Problem loans	0	0	0	0	0	0
A3. Restructured loans	0	0	0	0	0	0
A4. Overdue/past due loans	0	0	0	0	0	0
A5. Unsecured loans towards countries at risk	0	0	0	0	0	0
B) Performing loans	87,136,156	0	87,136,156	92,246,651	0	92,246,651
<b>Total</b>	<b>87,136,156</b>	<b>0</b>	<b>87,136,156</b>	<b>92,246,651</b>	<b>0</b>	<b>92,246,651</b>

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

No "non-performing loans to customers" were accounted for either as at 31 December 2020 or 31 December 2019.

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

No value adjustments of loans to customers were recognised either as at 31 December 2020 or 31 December 2019.

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

<b>MATURITY</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
On demand	510,456	438,525
Within 3 months	55,029,336	22,323
After 3 to 6 months	2,529,363	2,522,345
After 6 to 12 months	3,092,109	58,078,051
After 12 to 18 months	2,558,919	2,544,835
After 18 to 24 months	3,092,330	3,078,219
After 2 to 5 years	16,956,412	16,871,190
Over 5 years	3,367,231	8,691,163
Without maturity	0	0
<b>Total</b>	<b>87,136,156</b>	<b>92,246,651</b>

These loans are paid at a floating rate. It should be noted that the loan to the Most Excellent Chamber with a residual value of EUR 27.5 million has been indicated, for the purposes of the aforementioned allocation, on the basis of the repayment plan (capital portion) agreed with the counterparty, although it is contractually a credit line. This allocation takes into account the new plan agreed on 26 November 2014 and described above.



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

	31 December 2020	31 December 2019
a) Public Administrations	85,447,554	90,919,111
b) Financial companies other than credit institutions:	0	0
- Monetary financial institutions (excluding credit institutions)	0	0
- Investment funds other than monetary mutual funds	0	0
- Other financial institutions	0	0
- Insurance undertakings	0	0
- Pension funds	0	0
c) Non-financial companies	0	0
- of which parties cancelled from the Register of Authorised Entities	0	0
- Industry	0	0
- Construction	0	0
- Services	0	0
- Other non-financial companies	0	0
d) Households and not-for-profit institutions servicing households	1,688,602	1,327,540
- Consumer and producer households	1,688,602	1,327,540
- Not-for-profit institutions servicing households	0	0
e) Others	0	0
<b>Total</b>	<b>87,136,156</b>	<b>92,246,651</b>

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

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

31 December 2020		
Items/Amounts	Held for investment	Held for trading
<b>Bonds and other debt financial instruments:</b>	<b>0</b>	<b>266,420,654</b>
- of <i>which</i> bonds and other subordinated debt instruments:	0	0
- of <i>which</i> bonds and other debt financial instruments maturing in 2021;	0	42,249,657
- of <i>which</i> unavailable for reverse repurchase agreements;	0	0
a) issued by public institutions	0	47,811,244
b) issued by credit institutions	0	114,755,588
c) issued by financial companies other than credit institutions	0	80,544,039
d) issued by other institutions	0	23,309,783
<b>Shares, quotas and other capital financial instruments:</b>	<b>0</b>	<b>5,705</b>
a) shares	0	5,705
<b>Total</b>	<b>0</b>	<b>266,426,359</b>

Securities portfolio as at 31 December 2020 is entirely composed of financial instruments "held for trading". Accrued income for interest as at that date, totalling EUR 165,994, was held under "Bonds and other debt financial instruments".

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

There are no "financial instruments held for investment" at either 31 December 2020 or 31 December 2019.



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

	31 December 2020	31 December 2019
<b>Opening balances</b>	<b>0</b>	<b>40,751,183</b>
<b>Increases:</b>	<b>0</b>	<b>0</b>
1. Purchases	0	0
- <i>of which:</i> debt financial instruments	0	0
2. Value recoveries	0	0
3. Transfer from the trading portfolio	0	0
4. Other changes	0	0
<b>Decreases:</b>	<b>0</b>	<b>40,751,183</b>
1. Sales	0	39,940,023
- <i>of which:</i> debt financial instruments	0	39,940,023
2. Redemptions	0	0
3. Value adjustments	0	0
- <i>of which:</i> lasting devaluations	0	0
4. Transfer to the trading portfolio	0	0
5. Other changes	0	811,160
<b>Final balances</b>	<b>0</b>	<b>0</b>

The Bank did not hold any financial instruments held for investment in 2020.

**Table 5.4: Breakdown of “Financial instruments held for trading”**

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Items/Amounts</b>	<b>Fair value</b>	<b>Fair value</b>
1. Debt financial instruments	266,420,654	300,697,672
1.1 Bonds	266,420,654	300,697,672
- listed	0	0
- unlisted	266,420,654	300,697,672
1.2 Other debt financial instruments	0	0
- listed	0	0
- unlisted	0	0
2. Capital financial instruments	5,705	5,390
- listed	0	0
- unlisted	5,705	5,390
<b>Total</b>	<b>266,426,359</b>	<b>300,703,062</b>

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

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

The decrease in the value of the trading portfolio compared to 2019 is due to management and resource allocation decisions.

As regards capital financial instruments (of a small amount), this item comprised only the value of one share held in Swift SCRL, also reflecting capital gains resulting from valuation, amounting to EUR 315. The above-mentioned balance-sheet value was determined on the basis of the value, as at 31 December 2020, communicated by the issuing company.



**Table 5.5: Annual changes in “Financial instruments held for trading”.**

	31 December 2020	31 December 2019
<b>Opening balances</b>	<b>300,703,062</b>	<b>120,553,773</b>
<b>Increases:</b>	<b>475,576,626</b>	<b>506,343,929</b>
1. Purchases	472,602,002	500,118,951
- of which: debt financial instruments	472,602,002	500,118,951
- of which: capital financial instruments	0	0
2. Value recoveries and revaluations	991,595	2,478,975
3. Transfer from the investment portfolio	0	0
4. Other changes	1,983,029	3,746,003
<b>Decreases:</b>	<b>509,853,329</b>	<b>326,194,640</b>
1. Sales and refunds	509,384,774	325,754,442
- of which: debt financial instruments	509,384,774	325,754,442
- of which: capital financial instruments	0	0
2. Value adjustments and devaluations	201,083	234,059
3. Transfer to the investment portfolio	0	0
4. Other changes	267,472	206,139
<b>Final balances</b>	<b>266,426,359</b>	<b>300,703,062</b>

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

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**Item: Increases - Purchases**

They include:

- Issue discounts due on the trading date on non-listed fixed income securities, totalling EUR 359,621.

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

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

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**Item: Increases - Other changes**

They include:

- Trading gains totalling EUR 1,817,035;
- Accrued revenues as at 31 December 2020 on interest on securities, totalling EUR 165,994.

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**Item: Decreases - Sales and redemptions**

They include:

- Issue discounts accrued as at the trading/redemption date on non-listed fixed income securities, totalling EUR 440,362.

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**Item: Decreases - Value adjustments**

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

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**Item: Decreases - Other changes**

They include:

- Accrued revenues as at 31 December 2019 on interest on securities, totalling EUR 80,958;
  - A EUR 160,429 loss from trading of securities;
  - Issue discounts, pertaining to 2020, on non-listed fixed income securities, totalling EUR 26,085.
-

The securities portfolio includes bonds issued by the subsidiary Banca Nazionale Sammarinese S.p.A. as a result of the conversion, pursuant to Decree No. 126 dated 27 July 2020, of the liabilities that the BNS had towards the Central Bank.

These bonds, with a total nominal value of EUR 609,084, were valued at EUR 568,253 as at 31 December 2020, based on the price communicated by BNS.

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

Residual duration of bonds	31 December 2020		31 December 2019	
	Fixed rate	Floating rate	Fixed rate	Floating rate
On demand	0	0	0	0
Within 3 months	2,003,129	5,701,549	0	6,246,720
After 3 to 6 months	0	21,431,688	0	1,841,868
After 6 to 12 months	49,387	13,063,904	0	7,736,922
After 12 to 18 months	17,613,000	40,031,420	0	47,801,510
After 18 to 24 months	9,279,471	19,722,092	11,744,881	23,960,267
After 2 to 5 years	24,975,770	94,275,931	37,124,361	162,385,320
Over 5 years	8,301,450	9,971,863	393,710	1,462,113
Without maturity	0	0	0	0
<b>Total</b>	<b>62,222,207</b>	<b>204,198,447</b>	<b>49,262,952</b>	<b>251,434,720</b>

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

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

Name	Legal form	Registered office	Business activity	Share capital	Net equity	Profit/loss	% share held	Balance-sheet value (b)	Fair value	Net equity share (a)	Comparison (a-b)
A) Group companies	0	0	0	0	0	0	0	0	0	0	0
B) Affiliated companies	0	0	0	0	0	0	0	0	0	0	0
C) Other controlled companies											
1. Banca Nazionale Sammarinese S.p.A.	Joint-stock company	San Marino	Bancaria	19,000,000	13,229,919	- 5,770,081	100%	19,000,000	13,229,919	13,229,919	- 5,770,081

The figures in the table refer to the BNS's annual report for the year ending on 31 December 2019 (last approved annual report)



Following the resolution measure adopted by the Supervision Committee of the Central Bank on 21 July 2019, effective 22 July 2019, concerning Banca Cis - Credito Industriale Sammarinese S.p.A. under receivership, the latter changed its name to Banca Nazionale Sammarinese S.p.A. (BNS).

The EUR 19 million share capital was fully subscribed by the Central Bank and paid up by the latter by converting existing loans to the aforementioned Banca CIS into shares of BNS capital, following the resolution of the General Meeting of the Shareholders.

The 100% holdings do not lead to the establishment of a Banking Group related to CBSM. The above statement is further substantiated by Article 24 of Law No. 157 dated 19 November 2019, stating that "Shareholdings acquired following the application of Article 10(7) of Law 102/2019 are excluded from the management and coordination activity by the Central Bank of the Republic of San Marino".

By Delegated Decree No. 126 dated 27 July 2020 (ratification of Delegated decree no. 107 dated 30 June 2020), the new mission of Banca Nazionale Sammarinese S.p.A. was defined. This decree specifies, among other things, that:

- BNS should administer the assets and liabilities arising from the resolution of Banca Cis - Credito Industriale Sammarinese S.p.A. under receivership in order to ensure appropriate compliance with the debts issued and other liabilities undertaken in accordance with the resolution programme;
- In order to achieve this mission, the claims and any other assets reflected in BNS financial statements and resulting from debt collection activities were expected to be assigned to a special purpose vehicle incorporated under San Marino law for securitisation transactions;
- Within thirty days of the date of ratification of the aforesaid Delegated decree, all shares of BNS will be transferred to the State at the value of the net equity shown in the annual report as at 31 December 2019.

On 30 December 2020, the BNS's annual report for the financial year covering the period from 22 July 2019 to 31 December 2019 was approved.

The financial year in question closed with a loss of EUR -5,770,081, resulting in a decrease in the BNS's assets from EUR 19,000,000 to EUR 13,229,919 as at 31 December 2019. At the same date, there were losses carried forward of EUR -27,218,884 representing the residual deficit of Banca Cis under extraordinary administration, which was still on the financial statements as, at that date, the removal process under the resolution programme had yet to be completed. These losses, which are not included in the calculation of the BNS's net equity, were entirely removed during 2020 and transferred to the Public Vehicle under Law 115/2019.

With specific reference to the pricing of the investment in this annual report, it is noted that:

- paragraph 2 of Article 24 of Law 157/2019, which indicates that "Until the possible sale of Banca Nazionale Sammarinese S.p.A. at the outcome of the industrial project that will be approved following the delegated decree referred to in paragraph 1, Central Bank is authorised to value, in its Annual report, the investment in Banca Nazionale Sammarinese S.p.A. at nominal value";
- given the unchanged regulatory framework and the provisions of Decree 126/2020 regarding the transfer value of all BNS shares, i.e. the relevant assets as at 31 December 2019;
- given that this sale has not yet taken place, the deadline for which was defined by the aforementioned decree as August 2020, and it is not even possible at the moment to determine the date on which the sale will take place;
- the "Provision for losses on equity investments" - already set aside for this purpose in 2019 amounting to EUR 1,900,000 - was increased by EUR 3,870,081, keeping the investment valued at its nominal value.



This Provision has a balance of EUR 5,770,081, which is equal to the amount of the loss posted by BNS as at 31 December 2019, while the impact on the profit and loss account of the Central Bank in 2020 is equal to EUR 3,870,081.

The BNS's 2020 Annual Report has not yet been approved. At present, the related loss is quantified at approximately EUR 14.4 million (provisional figure). However, the Central Bank has decided not to make any provision in this regard, as the aforementioned Decree no. 126/2020 defines the terms of the sale and in particular the price of the sale as equal to the value of the subsidiary's assets as at 31 December 2019 (which has already been taken into account in this annual report).

In view of the potential negative effects on the entire banking system resulting from possible capital impacts on individual banks from the consolidation of all of the above, it should also be noted that discussions are ongoing between the parties involved in the sale, which could lead to an improvement in the economic impact of the sale of this shareholding. Prudently, however, the Central Bank has already recorded the full amount of the contingent liability in its financial statements for the years 2019 and 2020.

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

Items/Amounts	31 December 2020			31 December 2019		
	Purchase price	Balance-sheet value	Fair value	Purchase price	Balance-sheet value	Fair value
In credit institutions	19,000,000	19,000,000	13,229,919	19,000,000	19,000,000	n.a.
- listed	0	0	0	0	0	0
- unlisted	19,000,000	19,000,000	13,229,919	19,000,000	19,000,000	n.a.
In other financial companies	0	0	0	0	0	0
- listed	0	0	0	0	0	0
- unlisted	0	0	0	0	0	0
Other	0	0	0	0	0	0
- listed	0	0	0	0	0	0
- unlisted	0	0	0	0	0	0
<b>TOTAL</b>	<b>19,000,000</b>	<b>19,000,000</b>	<b>13,229,919</b>	<b>19,000,000</b>	<b>19,000,000</b>	<b>n.a.</b>



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

No "Shareholdings in group companies" were shown either as at 31 December 2020 or 31 December 2019.

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

	31 December 2020
<b>A) Opening balances</b>	19,000,000
<b>B) Increases</b>	0
B.1 Purchases	0
B2. Value recoveries	0
B.3 Revaluations	0
B.4 Other changes	0
<b>C) Decreases</b>	0
C.1 Sales	0
C.2 Value adjustments	0
- of which: lasting devaluations	0
C.3 Other changes	0
<b>D) Closing balance</b>	19,000,000
<b>E) Total revaluations</b>	0
<b>F) Total adjustments</b>	0

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

No "Shareholdings in group companies" were shown either as at 31 December 2020 or 31 December 2019.



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

	31 December 2020
Assets	
- Loans to credit institutions	0
<i>of which: subordinated</i>	0
<i>of which: to affiliated companies</i>	0
<i>of which: subordinated</i>	0
- Loans to other financial companies	0
<i>of which: subordinated</i>	0
<i>of which: to affiliated companies</i>	0
<i>of which: subordinated</i>	0
- Loans to other companies	0
<i>of which: subordinated</i>	0
<i>of which: to affiliated companies</i>	0
<i>of which: subordinated</i>	0
- Bonds and other debt financial instruments	568,253
<i>of which: subordinated</i>	0
<i>of which: to affiliated companies</i>	0
<i>of which: subordinated</i>	0
Liabilities	
- Debts with credit institutions	6,672,623
of which: to affiliated companies	0
- debts with other companies	0
of which: to affiliated companies	0
- Debts represented by financial instruments	0
of which: to affiliated companies	0
- Subordinated debt	0
of which: to affiliated companies	0
Guarantees and commitments	0
- Guarantees issued	0
- Commitments	0

The item "Bonds and other debt financial instruments" shows the value at 31 December 2020, provided by the issuing company, of the bonds issued by Banca Nazionale Sammarinese S.p.a. and included in the portfolio owned by CBSM.



“Debts with credit institutions” represent the balance of the accounts held by the subsidiary with the Central Bank.

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

No “Shareholdings in group companies” were shown either as at 31 December 2020 or 31 December 2019.

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

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

Annual changes	31 December 2020	Financial leasing	Assets pending financial leasing for termination of leasing agreement	Assets available resulting from debt recovery	Goodwill	Start-up expenses	Other intangible fixed assets
<b>A. Opening balances</b>	<b>250,335</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>250,335</b>
<b>B. Increases</b>	<b>65,356</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>65,356</b>
B1. Purchases	29,896	0	0	0	0	0	29,896
B2. Value recoveries:	0	0	0	0	0	0	0
- of which for creditworthiness	0	0	0	0	0	0	0
B3. Revaluations	0	0	0	0	0	0	0
B4. Other increases	35,460	0	0	0	0	0	35,460
<b>C. Decreases</b>	<b>100,506</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>100,506</b>
C1. Sales	0	0	0	0	0	0	0
C2. Value adjustments:	100,506	0	0	0	0	0	100,506
- of which depreciation	100,506	0	0	0	0	0	100,506
- of which lasting devaluations	0	0	0	0	0	0	0
- of which for creditworthiness	0	0	0	0	0	0	0
C3. Other decreases	0	0	0	0	0	0	0
<b>D. Final balances</b>	<b>215,185</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>215,185</b>



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

**Item B.1: Purchases**

They refer to costs for the purchase of software programmes for EUR 29,896.

**Item B.4: Other increases**

They refer to fixed assets under construction.

**Item C.2: Value adjustments**

They refer to annual amortisation to the extent of EUR 100,506.

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

Items/Amounts	31 December 2020			31 December 2019		
	Purchase price/Production cost	Balance-sheet value	Fair value*	Purchase price/Production cost	Balance-sheet value	Fair value*
A. Financial leasing	0	0	0	0	0	0
- of which assets under construction	0	0	0	0	0	0
B. Assets pending financial leasing for termination of leasing agreement	0	0	0	0	0	0
- of which for breach of the lessee	0	0	0	0	0	0
C. Assets available resulting from debt recovery	0	0	0	0	0	0
- of which assets available for repayment of loan through a settlement agreement	0	0	0	0	0	0
D. Goodwill	0	0	0	0	0	0
E. Costs of start-up	0	0	0	0	0	0
F. Other intangible fixed assets	588,045	215,185	==	690,385	250,335	==
<b>Total</b>	<b>588,045</b>	<b>215,185</b>	<b>==</b>	<b>690,385</b>	<b>250,335</b>	<b>==</b>

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



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

Annual changes	31 December 2020	Financial leasing	Assets pending financial leasing for termination of leasing agreement	Assets available resulting from debt recovery	Lands and buildings	Other tangible fixed assets
<b>A. Opening balances</b>	<b>3,317,760</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,217,376</b>	<b>100,384</b>
<b>B. Increases</b>	<b>33,999</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>33,999</b>
B1. Purchases	33,999	0	0	0	0	33,999
B2. Value recoveries:	0	0	0	0	0	0
- of which for creditworthiness	0	0	0	0	0	0
B3. Revaluations	0	0	0	0	0	0
B4. Other changes	0	0	0	0	0	0
<b>C. Decreases</b>	<b>235,528</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>189,145</b>	<b>46,383</b>
C1. Sales	0	0	0	0	0	0
C2. Value adjustments:	235,528	0	0	0	189,145	46,383
- of which depreciation	235,528	0	0	0	189,145	46,383
- of which lasting devaluations	0	0	0	0	0	0
- of which for creditworthiness	0	0	0	0	0	0
C3. Other changes	0	0	0	0	0	0
<b>D. Final balances</b>	<b>3,116,231</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,028,231</b>	<b>88,000</b>

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

#### Item B.1: Purchases

This item includes costs for the purchase of:

- Electronic equipment totalling EUR 17,961;
- Furniture and furnishings totalling EUR 8,733;
- Systems and fittings totalling EUR 7,305.

During the year, assets that had become obsolete and were fully depreciated were disposed of.

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

Items/Amounts	31 December 2020			31 December 2019		
	Purchase price/Production cost	Balance-sheet value	Fair value*	Purchase price/Production cost	Balance-sheet value	Fair value*
A. Financial leasing	0	0	0	0	0	0
- of which assets under construction	0	0	0	0	0	0
B. Assets pending financial leasing for termination of leasing agreement	0	0	0	0	0	0
- of which for breach of the lessee	0	0	0	0	0	0
C. Assets available resulting from debt recovery	0	0	0	0	0	0
- of which assets available for repayment of loan through a settlement agreement	0	0	0	0	0	0
D. Lands and buildings	6,304,853	3,028,231	==	6,304,853	3,217,376	==
E. Other tangible fixed assets	715,634	88,000	==	681,645	100,384	==
<b>Total</b>	<b>7,020,487</b>	<b>3,116,231</b>	<b>==</b>	<b>6,986,498</b>	<b>3,317,760</b>	<b>==</b>

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

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

No portions of subscribed capital not paid in were reflected either as at 31 December 2020 or 31 December 2019.

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

No own shares were reflected either as at 31 December 2020 or 31 December 2019.



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

	31 December 2020	31 December 2019
<b>Other assets:</b>		
Security margins	0	0
Premiums paid for options	0	0
Other	3,390,961	6,881,980
<b>Total</b>	<b>3,390,961</b>	<b>6,881,980</b>

"Other assets" include:

1. The credits for the recovery of sums levied from supervised parties for 2020, equal to EUR 2.07 million, which supervised parties are obliged to pay back to the Central Bank by 31 May 2021 about EUR 2.17 million in 2019);
2. Receivables for the recovery of sums levied from supervised parties and other recoveries which are still unpaid.

These amounts receivable, having a nominal value of EUR 200,192 (in 2019 they stood at EUR 708,443), were fully written down, as was the case in the previous year.

Adjustments were made to mounts receivable for the recovery of sums levied from supervised parties in financial year 2020 (with payment due in May 2021) relating to entities already holding unpaid loans (face value EUR 30,103).

Ensuing value adjustments made in financial year 2020 stood at EUR 30,270, while overall write-downs totalled EUR 230,295 (EUR 267,086 in 2019);

The nominal value of these receivables decreased significantly. Part of this change is due to the conversion of credit positions with Banca Nazionale Sammarinese S.p.A. into bonds issued by the latter (EUR 0.32 million).

3. Receivables, amounting to EUR 141,582, relating to the recovery of costs incurred in 2020 in relation to the maintenance of the Central Credit Register (Circular no. 2015-02). In 2019 they amounted to EUR 183,647.
4. Entries to be settled in relation to the pre-authorized collection procedure, totalling EUR 0.8 million (EUR 0.7 million at 31 December 2019).

"Other assets", compared to 2019, recorded a substantial decrease (EUR -3.49 million, -50.73%). This change was affected by the absence of the receivable relating to annual fees for services provided to the Public Administration (EUR 2.24 million), present at 31 December 2019. During 2020, both 2019 and 2020 fees were collected.

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

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

	31 December 2020	31 December 2019
Accrued revenues	0	0
Deferred expenses:	114,524	43,894
- sundry accruals	79,306	34,922
- long-term deferred revenues	35,218	8,972
<b>Total</b>	<b>114,524</b>	<b>43,894</b>

Both sundry and long-term deferred expenses mainly relate to prepaid fees for rents paid and services (e.g. software maintenance, database services). Compared to 2019, these values have increased considerably. This increase is mainly due to the costs incurred in connection with the lease of the premises where the Overdue Tax Collection Department has been transferred.

## Liabilities

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

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

	31 December 2020			31 December 2019			Changes	
	In EUR	In foreign currency	Total	In EUR	In foreign currency	Total	Total amount	%
A) On demand:	324,131,896	0	324,131,896	160,912,567	0	160,912,567	163,219,329	101.43%
A1 Mutual accounts opened for services rendered	0	0	0	0	0	0	0	0%
A2. Demand deposits	324,131,896	0	324,131,896	160,912,567	0	160,912,567	163,219,329	101.43%
A3. Others	0	0	0	0	0	0	0	0%
B) Term or notice debts	100,373,419	0	100,373,419	104,500,045	0	104,500,045	-4,126,626	-3.95%
B.1 Current accounts with a debit balance	100,373,419	0	100,373,419	88,498,702	0	88,498,702	11,874,717	13.42%
B2. Term deposits	0	0	0	16,001,343	0	16,001,343	-16,001,343	-100.00%
B3. Repurchase agreements and reverse repos	0	0	0	0	0	0	0	0%
B4. Other loans	0	0	0	0	0	0	0	0%
<b>Total</b>	<b>424,505,315</b>	<b>0</b>	<b>424,505,315</b>	<b>265,412,612</b>	<b>0</b>	<b>265,412,612</b>	<b>159,092,703</b>	<b>59.94%</b>



As at 31 December 2020, there is no interest paid to be credited under either "On demand" or "On term or notice debts".

"Term or notice debts - current accounts with a debit balance" include the amount of the reserve requirement of the Article 142 of Law No. 165/2005 established by the banks and related to the maintenance period spanning 15 December 2020 - 14 January 2021, hence highlighting the technical nature of such accounts.

Funding from banks was up 59.94% overall compared to the year ended 31 December 2019. This increase pertained mainly to on demand current accounts, increased by 101.43% while term deposits were brought down to zero.

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

<b>MATURITY</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
On demand	324,131,896	160,912,567
Within 3 months	0	16,001,343
After 3 to 6 months	0	0
After 6 to 12 months	0	0
After 12 to 18 months	0	0
After 18 to 24 months	0	0
After 2 to 5 years	0	0
Over 5 years	0	0
Without maturity	100,373,419	88,498,702
<b>Total</b>	<b>424,505,315</b>	<b>265,412,612</b>

As regards residual life, it should be noted that debts with banks related to deposits opened for the purposes of the reserve requirement of Article 142 of Law No. 165/2005 were held under "Without maturity", since the legal reserve requirement remains valid in time, even though, depending on the actual maintenance period, the amounts of the individual deposits are subject to changes. These debts are paid at a floating rate.

The amount of debts pertaining to subsidiary Banca Nazionale Sammarinese S.p.A. totalled EUR 6,672,623 (On demand - Demand deposits).

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

Debts with customers	31 December 2020			31 December 2019			Changes	
	In EUR	In foreign currency	Total	In EUR	In foreign currency	Total	Total amount	%
A) On demand:	256,740,428	576	256,741,004	176,244,872	628	176,245,500	80,495,504	45.67%
A1. Current accounts with a debit balance	256,740,428	576	256,741,004	176,244,872	628	176,245,500	80,495,504	45.67%
A2. Savings deposits	0	0	0	0	0	0	0	0%
A3. Others	0	0	0	0	0	0	0	0%
B) Term or notice debts:	0	0	0	5,256,111	0	5,256,111	-5,256,111	-100.00%
B1. Time overdrawn c/accounts	0	0	0	0	0	0	0	0%
B2. Term savings deposits	0	0	0	0	0	0	0	0%
B3. Repurchase agreements and reverse repos	0	0	0	5,256,111	0	5,256,111	-5,256,111	-100.00%
B4. Other funds	0	0	0	0	0	0	0	0%
<b>Total</b>	<b>256,740,428</b>	<b>576</b>	<b>256,741,004</b>	<b>181,500,983</b>	<b>628</b>	<b>181,501,611</b>	<b>75,239,393</b>	<b>41.45%</b>

The interest paid to customers, accrued as at the end of the financial year, amounting to EUR 1,149, is included in the "On demand - current accounts with a debit balance" item.

As regards the composition of this item, "On demand" debts mainly include the collections from Broader Public Administration.

As at 31 December 2020 there are no longer any "Term or notice debts" which, in 2019, represented payable repurchase agreements outstanding with the Guarantee Fund for Depositors. As at 31 December 2020, the liquidity of the "Fund" is entirely deposited in the current account held with the Central Bank, therefore included in the item "On demand - Current accounts with a debt balance".

These debts are paid at a floating rate.

The overall increase in this item is due to the increase in "On demand debts - current accounts with a debt balance", which occurred mainly as a result of increased liquidity of the State, for resources received from abroad.



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

<b>MATURITY</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
On demand	256,741,004	176,245,500
Within 3 months	0	3,242,839
After 3 to 6 months	0	2,013,272
After 6 to 12 months	0	0
After 12 to 18 months	0	0
After 18 to 24 months	0	0
After 2 to 5 years	0	0
Over 5 years	0	0
Without maturity	0	0
<b>Total</b>	<b>256,741,004</b>	<b>181,501,611</b>

The Central Bank does not hold any shareholdings in corporate customers. Therefore, as at 31 December 2020 no credit positions existed with customer subsidiaries and associated companies or companies linked by a participating interest.

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

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

No “debts represented by financial instruments” were accounted for either as at 31 December 2020 or 31 December 2019.



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

	31 December 2020	31 December 2019
Other liabilities:		
Security margins	0	0
Premiums received on options	0	0
Cheques in circulation and kindred papers	274,907	384,859
Other	4,279,058	5,290,045
<b>Total</b>	<b>4,553,965</b>	<b>5,674,904</b>

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

1. Sums available to third parties pertaining to (i) Treasury Service receipts that, due to the time required to process them, were yet to be credited to their relevant current accounts to the extent of approximately EUR 1.3 million, and (ii) transactions to be settled in relation to the pre-authorized collection procedure amounting to EUR 750,398 (as at 31 December 2019, they stood at approximately EUR 2,8 million and EUR 707.651 million, respectively);
2. Tax demands notified by the Overdue Tax Collection Department, with payment being already collected and waiting to be transferred to the relevant entities, totalling EUR 962,049, and other suspended items relating to the aforesaid Overdue Tax Collection Department, totalling EUR 180,028 (as at 31 December 2019, they stood at EUR 498,364 and EUR 89,520, respectively);
3. Existing debts related to labour costs, falling in the region of EUR 0.6 million (as at 31 December 2019, they stood at EUR 0.7 million approximately), including emoluments, social security and tax costs (including amounts related to the calculation of untaken holiday entitlement as at 31 December 2020) yet to be paid.

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

MATURITY	31 December 2020	31 December 2019
On demand	82,829	115,230
Within 3 months	4,180,021	5,235,781
After 3 to 6 months	37,995	3,592
After 6 to 12 months	0	0
After 12 to 18 months	0	0
After 18 to 24 months	0	0
After 2 to 5 years	0	0
Over 5 years	0	0
Without maturity	253,120	320,301
<b>Total</b>	<b>4,553,965</b>	<b>5,674,904</b>



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

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

	31 December 2020	31 December 2019
Accrued expenses	0	0
Deferred revenues:	27,646	64,079
long-term deferred revenues	27,646	64,079
<b>Total</b>	<b>27,646</b>	<b>64,079</b>

As at 31 December 2020, the value of multi-year costs relates to the recovery of charges, already financially collected, related to the installation phase of the Central Credit Register.

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

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

	31 December 2020	31 December 2019
<b>Opening balances</b>	<b>505,170</b>	<b>522,748</b>
<b>Increases</b>	<b>443,945</b>	<b>490,040</b>
- provisions	443,945	490,040
- other changes	0	0
<b>Decreases</b>	<b>495,514</b>	<b>507,618</b>
- withdrawals	495,514	507,618
- other changes	0	0
<b>Closing balance</b>	<b>453,601</b>	<b>505,170</b>

This item accounts for the indemnity in lieu of staff retirement allowances accrued during 2020 ("provisions"), including the sum of staff retirement allowances relating to holiday leave remaining from previous years.

The indemnity accrued in one year is paid to employees in the following year ("withdrawals"), within the deadlines set by current employment contracts. The item "withdrawals" also includes the decrease, in 2020, of the debt for staff retirement allowances to be paid in relation to the untaken holiday leave.

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

<b>Breakdown:</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Retirement funds and similar provisions	0	0
Tax funds	0	0
Other funds:	6,750,690	2,694,179
- fund for costs for extraordinary proceedings	370,500	278,500
- fund for legal proceedings	546,109	460,295
- provisions for losses on equity investments	5,770,081	1,900,000
- fund for miscellaneous costs	64,000	55,384
<b>Total</b>	<b>6,750,690</b>	<b>2,694,179</b>

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

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

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Opening balances</b>	<b>2,694,179</b>	<b>502,334</b>
<b>Increases</b>	<b>4,219,481</b>	<b>2,369,345</b>
- provisions	4,219,481	2,369,345
- other changes	0	0
<b>Decreases</b>	<b>162,970</b>	<b>177,500</b>
- withdrawals	152,386	175,385
- other changes	10,584	2,115
<b>Closing balance</b>	<b>6,750,690</b>	<b>2,694,179</b>

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

1. EUR 137,000 to the "Fund for costs for extraordinary proceedings", designed to cover costs arising from proceedings pursuant to Title II of Part II of Law No. 165 dated 17 November 2005;
2. EUR 195,200 to the "Fund for lawsuits", the total amount of which, amounting to EUR 546,109, was determined on the basis of the estimated costs, including legal expenses and lawyer's fee reimbursements, that may arise from proceedings pending before the Court;



3. EUR 3,870,081 to the "Fund for investment losses" in relation to the loss of EUR 5,770,081 posted by the subsidiary Banca Nazionale Sammarinese S.p.A., as already illustrated in the section of the Notes to the financial statements relating to Shareholdings;
4. EUR 17,200 to the "Fund for miscellaneous costs".

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

1. the withdrawal of the "Fund for lawsuits" for EUR 107,386 in relation to legal fees and lawyer's fee reimbursements incurred in connection with proceedings before the Court and the recognition of contingent assets of EUR 2,000 (other changes);
2. the withdrawal of "Fund for costs for extraordinary proceedings" to the extent of EUR 45,000, due to financial support provided in respect of administrative compulsory winding-up procedures;
3. the recognition of contingent assets for EUR 8,584 in relation to the "Fund for miscellaneous costs" (other changes).

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

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

No allocations were made to the "Fund for credit risks" either as at 31 December 2020 or 31 December 2019.

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

**Table 19.1: breakdown of item 90 "Fund for general financial risks"**

	31 December 2020	31 December 2019	Changes	
			Amount	%
<b>Opening balance</b>	<b>37,486,594</b>	<b>36,986,137</b>	<b>500,457</b>	<b>1.35%</b>
Contributions in the financial year	0	500,457	-500,457	-100.00%
Withdrawals in the financial year	-4,956,286	0	-4,956,286	n.a.
<b>Closing balance</b>	<b>32,530,308</b>	<b>37,486,594</b>	<b>-4,956,286</b>	<b>-13.22%</b>

Pursuant to a resolution issued by the Governing Council on 24 March 2021, withdrawals were made from the fund for general financial risks to the extent of EUR 4.96 million for the purpose of covering the operating deficit for 2020.

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

Withdrawals from the Fund for general financial risks for the purpose of reducing losses and supporting the operating result must be made at the time the annual report is prepared by the Management Body, prior to recognising the operating results. This is not a reserve that can be changed by the General Meeting of the Shareholders, as is the case with the legal and the statutory reserves.



The Fund for general financial risks is a component of the Bank's equity, like the other reserves mentioned above, to be used by the General Meeting of the Shareholders. As shown in Table 19.9 relating to "Changes in net equity in the last 4 years", withdrawals from this fund to stabilise the operating result resulted in an decrease in the balance sheet aggregate total.

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

No "Subordinated debt" was recognised either as at 31 December 2020 or 31 December 2019.

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

Type of shares	31 December 2020			31 December 2019			Changes	
	No. of shares	Unit value	Total value	No. of shares	Unit value	Total value	Amount	%
Registered shares	2,500	5,164.57	12,911,425	2,500	5,164.57	12,911,425	0	0%
<b>Totals</b>	<b>2,500</b>	<b>5,164.57</b>	<b>12,911,425</b>	<b>2,500</b>	<b>5,164.57</b>	<b>12,911,425</b>	<b>0</b>	<b>0%</b>

As provided for in art. 20 of the Central Bank Statutes, 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;
- 16% Cassa di Risparmio della Repubblica di San Marino S.p.A.;
- 6% Banca di San Marino S.p.A.;
- 5% Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.;
- 5% Banca Nazionale Sammarinese S.p.A.;
- 1% Banca Sammarinese di Investimento S.p.A.

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

No "Share Premium" was recognised either as at 31 December 2020 or 31 December 2019.

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

	31 December 2020	31 December 2019	Changes	
			Amount	%
a) Ordinary or legal reserve	1,274,013	1,274,013	0	0%
b) Reserve for own shares or units	0	0	0	0%
b) Statutory reserves	9,627,277	9,627,277	0	0%
d) Other reserves	0	0	0	0%
<b>Total</b>	<b>10,901,290</b>	<b>10,901,290</b>	<b>0</b>	<b>0%</b>



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

No "Revaluation reserve" was set aside either as at 31 December 2020 or 31 December 2019.

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

No "Profits (losses) carried forward" were recognised either as at 31 December 2020 or 31 December 2019.

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

	31 December 2020	31 December 2019	Changes	
			Amount	%
<b>Operating profit (loss)</b>	0	0	0	0%

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

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

	Subscribed capital	Ordinary or legal reserve	Statutory reserve	Operating results	Fund for general financial risks	Total
<b>Balances as at 31 December 2017</b>	12,911,425	1,274,013	9,627,277	0	49,209,709	73,022,424
<b>Balances as at 31 December 2018</b>	12,911,425	1,274,013	9,627,277	0	36,986,137	60,798,852
<b>Balances as at 31 December 2019</b>	12,911,425	1,274,013	9,627,277	0	37,486,594	61,299,309
<b>Balances as at 31 December 2020</b>	12,911,425	1,274,013	9,627,277	0	32,530,308	56,343,023

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
a) Public Administrations	240,625,390	166,397,634
b) Financial companies other than credit institutions:	0	0
- Monetary financial institutions (excluding credit institutions)	0	0
- Investment funds other than monetary mutual funds	0	0
- Other financial institutions	0	0
- Insurance undertakings	0	0
- Pension funds	0	0
c) Non-financial companies	11,668	22,044
- <i>of which</i> parties cancelled from the Register of Authorised Entities	0	0
- Industry	0	0
- Construction	0	0
- Services	11,668	22,044
- Other non-financial companies	0	0
d) Households and not-for-profit institutions servicing households	6,233,297	5,768,966
- Consumer and producer households	6,065,410	5,599,521
- Not-for-profit institutions servicing households	167,887	169,445
e) Others	9,870,649	9,312,968



## Guarantees and Commitments

### 20 Guarantees and commitments

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

	31 December 2020	31 December 2019	Changes	
			Amount	%
A) Credit commitments of a commercial nature	0	0	0	0%
B) Credit commitments of a financial nature	2,104,748	2,004,748	100,000	4.99%
C) Assets pledged as guarantee	0	0	0	0%
- for third party obligations	0	0	0	0%
- for own obligations	0	0	0	0%
<b>Total</b>	<b>2,104,748</b>	<b>2,004,748</b>	<b>100,000</b>	<b>4.99%</b>

**Table 20.2: Breakdown of credit commitments**

	31 December 2020	31 December 2019	Changes	
			Amount	%
A) Credit commitments of a commercial nature	0	0	0	0%
A1. Acceptances	0	0	0	0%
A2. Sureties and bank guarantees	0	0	0	0%
A3. Strong comfort letters	0	0	0	0%
A4. Others	0	0	0	0%
B) Credit commitments of a financial nature	2,104,748	2,004,748	100,000	4.99%
B1. Acceptances	0	0	0	0%
B2. Sureties and bank guarantees	2,104,748	2,004,748	100,000	4.99%
B3. Strong comfort letters	0	0	0	0%
B4. Others	0	0	0	0%
<b>Total</b>	<b>2,104,748</b>	<b>2,004,748</b>	<b>100,000</b>	<b>4.99%</b>

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



**Table 20.3: Situation of credit commitments to credit institutions**

No "credit commitments to credit institutions" were accounted for either as at 31 December 2020 or 31 December 2019.

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

Categories/Amounts	31 December 2020			31 December 2019		
	Gross exposure	Total value adjustments	Net Exposure	Gross exposure	Total value adjustments	Net Exposure
A) Non-performing loans	0	0	0	0	0	0
- of which Bad loans	0	0	0	0	0	0
- of which Problem loans	0	0	0	0	0	0
- of which Restructured loans	0	0	0	0	0	0
- of which Overdue/past due loans	0	0	0	0	0	0
- of which Unsecured loans towards countries at risk	0	0	0	0	0	0
B) Performing loans	2,104,748	0	2,104,748	2,004,748	0	2,004,748
<b>Total</b>	<b>2,104,748</b>	<b>0</b>	<b>2,104,748</b>	<b>2,004,748</b>	<b>0</b>	<b>2,004,748</b>

**Breakdown of "guarantees issued" based on the residual life**

MATURITY	31 December 2020	31 December 2019
On demand	0	0
Within 3 months	550,000	450,000
After 3 to 6 months	0	0
After 6 to 12 months	0	0
After 12 to 18 months	0	0
After 18 to 24 months	0	0
After 2 to 5 years	1,554,748	1,554,748
Over 5 years	0	0
Without maturity	0	0
<b>Total</b>	<b>2,104,748</b>	<b>2,004,748</b>



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

No assets pledged as guarantee of own debts were accounted for at either 31 December 2020 or 31 December 2019.

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

As at 31 December 2020, CBSM had no credit facilities with other central banks and/or commercial banks and/or financial companies providing access, pursuant to contractual agreements, to cash collection or funding.

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

	31 December 2020	31 December 2019	Changes	
			Amount	%
A Disbursement commitments for certain use	0	0	0	0%
- <i>of which</i> commitments for loans to be disbursed	0	0	0	0%
B. Commitments to exchange financial instruments for certain use	0	0	0	0%
C. Commitments to disburse funds for uncertain use	0	0	0	0%
- <i>of which</i> negative margins to be used on credit lines	0	0	0	0%
- <i>of which</i> put options issued	0	0	0	0%
D. Commitments to exchange financial instruments for uncertain use	0	0	0	0%
E. Other commitments	0	300,293	-300,293	-100%
<b>Total</b>	<b>0</b>	<b>300,293</b>	<b>-300,293</b>	<b>-100%</b>

**Table 20.8: Term commitments**

No term commitments were in place as at 31 December 2020.

**Table 20.9: Financial derivatives**

No financial derivative contracts were in place as at 31 December 2020.



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

<b>MATURITY</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
On demand	0	200,129
Within 3 months	0	100,164
After 3 to 6 months	0	0
After 6 to 12 months	0	0
After 12 to 18 months	0	0
After 18 to 24 months	0	0
After 2 to 5 years	0	0
Over 5 years	0	0
Without maturity	0	0
<b>Total</b>	<b>0</b>	<b>300,293</b>

### Table 20.10: Derivative contracts on credits

No credit derivatives contracts were in place as at 31 December 2020.



# Memorandum accounts

## 21 Memorandum accounts

**Table 21.1: Memorandum accounts**

Items	31 December 2020	31 December 2019
<b>1) Asset management</b>	<b>0</b>	<b>0</b>
a) Asset management for customers	0	0
- of which liquidity	0	0
- of which liquidity deposited with the Central Bank	0	0
- of which debt securities	0	0
- of which debt securities issued by the Central Bank	0	0
- of which debt securities issued by other credit institutions of San Marino	0	0
- of which capital securities and CIS units	0	0
- of which capital securities issued by the Central Bank	0	0
b) Own portfolios managed by third parties	0	0
<b>2 Financial instruments custody and management</b>	<b>914,404,174</b>	<b>496,784,897</b>
a) Deposited third-party financial instruments	634,913,890	177,162,793
- of which debt securities issued by the Central Bank	0	0
- of which debt securities issued by other credit institutions of San Marino	0	0
- of which capital securities and other securities issued by the Central Bank	0	0
- of which third-party financial instruments deposited with third parties	1,743,176	322,536
b) Own financial instruments deposited with third parties	279,490,284	319,622,104
<b>3) Financial instruments, liquidity and other assets linked to activities as custodian bank</b>	<b>122,757,330</b>	<b>100,555,446</b>
a) Liquidity	77,243,629	84,648,392
- of which liquidity deposited with the Central Bank	77,243,629	84,648,392
b) Debt securities	0	0
- of which debt securities issued by the Central Bank	0	0
- of which debt securities issued by other credit institutions of San Marino	0	0
c) Capital securities, CIS units, other financial instruments	0	0
- of which capital securities issued by the Central Bank	0	0
d) Other assets other than financial instruments and liquidity	45,513,701	15,907,054



As regards "2) Financial instruments custody and management - a) deposited third-party financial instruments", this item includes instruments related to the bond issues of the Most Excellent Chamber of the Republic of San Marino, in relation to which the Central Bank also provides a service of centralised management of such securities in a dematerialised form. During 2020, this item recorded a significant increase (EUR +458 million), mainly due to the issuance of irredeemable public debt securities, with a nominal value of EUR 455 million, which occurred during the year in question pursuant to Law no. 223 dated 23 December 2020.

With reference to item "3) Financial instruments, liquidity and other assets linked to the activities as custodian bank", it should be noted that the amounts stated refer to the activities carried out by the Central Bank on behalf of Fondiss (Supplementary welfare fund of the Republic of San Marino), pursuant to Law No. 191 dated 6 December 2011. "d) Other assets other than financial instruments and liquidity" of 2019 has been recalculated as it was erroneously indicated as equal to zero.

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

- The assets foreclosed by the Overdue Tax Collection Service of the Central Bank and deposited with third parties, pending their auction sale pursuant to Article 70 et seq. of Law No. 70 dated 25 May 2004, were recognised for a total amount of EUR 227,902. As at 31 December 2020, amounts due for collection totalled EUR 311,924,254, while guarantees received in relation to extensions granted by the Overdue Tax Collection Service stood at EUR 24,514,765;
- The amount of the mediation guarantee fund managed by the Central Bank (CBSM Regulation No. 2013-03) stood at EUR 650,000;
- The guarantee fund for depositors managed by the Central Bank (CBSM Regulation No.2016-01) totalled EUR 8,955,626;
- Two Promissory Notes of the value of EUR 46,396,093 and EUR 15,260,428 issued by the Government of the Republic of San Marino in favour of the International Monetary Fund are deposited with the Central Bank.

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



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

Operations not present at either 31 December 2020 or 31 December 2019.

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

	31 December 2020	31 December 2019
a) Public Administrations	1,686,340	258,230
b) Financial companies:	0	0
- Monetary financial institutions	0	0
- Investment funds other than monetary mutual funds	0	0
- Other financial institutions	0	0
- Insurance undertakings	0	0
- Pension funds	0	0
c) Non-financial companies - of which parties cancelled from the Register of Authorised Entities	0	0
- Industry	0	0
- Construction	0	0
- Services	0	0
- Other non-financial companies	0	0
d) Households and not-for-profit institutions servicing households	315,066	322,536
- Consumer and producer households	315,066	322,536
- Not-for-profit institutions servicing households	0	0
e) Others	0	0



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

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

	31 December 2020	31 December 2019	Changes	
			Amount	%
A) On Treasury Bonds and other financial instruments eligible for refinancing purposes at central banks	0	0	0	0%
A1. Treasury Bonds and other similar instruments	0	0	0	0%
A2. Other financial instruments eligible for refinancing purposes at central banks	0	0	0	0%
B) On loans to credit institutions	-317,569	-92,441	-225,128	-243.54%
B.1 Current accounts with a credit balance	-310,682	-92,245	-218,437	-236.80%
B2. Deposits	-6,887	-196	-6,691	3,413.78%
B3. Other loans	0	0	0	0%
- of which on leasing transactions	0	0	0	0%
C) On loans to customers	1,227,383	1,084,523	142,860	13.17%
C1. Current accounts with a credit balance	1,142,950	990,045	152,905	15.44%
C2. Deposits	0	0	0	0%
C3. Other loans	84,433	94,478	-10,045	-10.63%
- of which on leasing transactions	0	0	0	0%
D) On debt securities issued by credit institutions	394,228	461,317	-67,089	-14.54%
D1. Certificates of deposit	0	0	0	0%
D2. Bonds	394,228	461,317	-67,089	-14.54%
D3. Other financial instruments	0	0	0	0%
E) On debt securities from customers (issued by other issuers)	187,646	946,219	-758,573	-80.17%
E1. Bonds	187,646	946,219	-758,573	-80.17%
E2. Other financial instruments	0	0	0	0%
<b>Total</b>	<b>1,491,688</b>	<b>2,399,618</b>	<b>-907,930</b>	<b>-37.84%</b>



As shown in table 22.1 above, compared to 2019 the overall decrease in interest received, totalling EUR 907,930 (-37.84%) was due to a decrease in interest accrued on loans to credit institutions (down EUR 225,128) and on debt securities (down EUR 825,662), not adequately set off by the increase of interest accrued on loans to customers (EUR 142,860).

With regard to the former, it should be noted that the substantial decrease occurred in relation to the item "Current accounts with a credit balance"; this was mainly due to both the absence of interest from term loans (present in 2019) and an increase in current accounts with a debt balance due to higher balances held at the corresponding banks.

On the other hand, the decrease in interest on debt securities is mainly due to the absence of interest received on the investment portfolio, which was present in 2019.

On the other hand, interest received on loans to customers increased by EUR 142,860, due to a change in interest rates on existing loans.

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

	31 December 2020	31 December 2019	Changes	
			Amount	%
A) On debts with credit institutions	2,542	123,120	-120,578	-97.94%
A1. Current accounts with a debit balance	1,327	82,376	-81,049	-98.39%
A2. Deposits	1,215	40,744	-39,529	-97.02%
A3. Other debts	0	0	0	0%
B) On debts with customers	13,225	66,173	-52,948	-80.01%
B.1 Current accounts with a debit balance	4,057	37,974	-33,917	-89.32%
B2. Deposits	0	0	0	0%
B3. Other debts	9,168	28,199	-19,031	-67.49%
C) On debts represented by financial instruments to credit institutions	0	0	0	0%
- of which on certificates of deposit	0	0	0	0%
D) On debts represented by financial instruments to customers	0	0	0	0%
- of which on certificates of deposit	0	0	0	0%
E) On subordinated debt	0	0	0	0%
- of which on hybrid capitalisation instruments	0	0	0	0%
<b>Total</b>	<b>15,767</b>	<b>189,293</b>	<b>-173,526</b>	<b>-91.67%</b>

As shown in table 22.2 above, in 2020 interest paid decreased considerably (EUR -173,526; -91.67%), as a result of a decrease in interest accrued on debts with credit institutions (EUR -120,578) and with customers (EUR -52,948).

In relation to both items, it should be noted that the reduction shown was due both to changes in the interest rates applied to current accounts, and to the decrease in forward transactions payable (deposits and repurchase agreements).

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

No "Dividends and other proceeds" were recognised either as at 31 December 2020 or 31 December 2019.

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

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

	31 December 2020	31 December 2019	Absolute changes and %	
			Amount	%
Commissions earned:				
a) Guarantees issued	3,683	3,183	500	15.71%
b) Credit derivatives	0	0	0	0%
c) Advice on financial instruments	0	0	0	0%
d) Collection and payment services	1,584,207	1,585,192	-985	-0.06%
e) Custodian bank services	7,200	7,200	0	0%
f) Financial instruments custody and management	0	0	0	0%
g) Other services	673,716	673,703	13	0%
<b>Total</b>	<b>2,268,806</b>	<b>2,269,278</b>	<b>-472</b>	<b>-0.02%</b>

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

In this regard, it should be noted that, on 6 August 2020, the agreement for the remuneration of services to the Public Administration for the three-year period 2019/2021 was signed. The related revenue for 2020, amounting to EUR 2,240,000, which amount confirms the reductions already made by law in the previous three-year period, was collected in 2020.

Commissions in 2020 are shown in table 24.1 above using the same criterion for allocation across the different items as the one used in 2019.

In this regard, it should be noted that the 2019 figure for the related items "Collection and payment services" and "Other services" has been recalculated as it contained an error in the calculation of the abovementioned breakdown.

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



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

	31 December 2020	31 December 2019	Changes	
			Amount	%
Commissions paid:				
a) Guarantees received	0	0	0	0%
b) Credit derivatives	0	0	0	0%
c) Financial instruments custody and management	48,234	41,480	6,754	16.28%
- own portfolio;	44,484	38,470	6,014	15.63%
- third-party portfolio	3,750	3,010	740	24.58%
d) Collection and payment services	53,997	54,165	-168	0.31%
e) Other services	40,663	47,181	-6,518	-13.81%
<b>Total</b>	<b>142,894</b>	<b>142,826</b>	<b>68</b>	<b>0.05%</b>

Commissions relating to "Collection and payment services" include charges incurred in relation to the POS service provided to the Public Administration totalling EUR 47,303, while those for "Other services" are various commissions requested by banks on current accounts.

## 25 Profits (losses) on financial transactions (item 60 of the profit and loss account)

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

As at 31 December 2020				
Items/Transactions	Transactions on financial instruments	Foreign currency transactions	Transactions on precious metals	Other transactions
A1. Revaluations	991,595	0	0	0
A2. Devaluations	-201,083	0	0	0
B. Other profits/losses	1,656,607	-33,758	0	0
<b>Total</b>	<b>2,447,119</b>	<b>-33,758</b>	<b>0</b>	<b>0</b>
1. Government bonds	406,008			
2. Other debt financial instruments	2,040,796			
3. Capital financial instruments	315			
4. Derivative contracts on financial instruments	0			
<b>Total</b>	<b>2,447,119</b>			



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**Item A.1: revaluations**

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They account for the aggregate value of the capital gains recognised on the portfolio of debt and capital securities as at 31 December 2020.

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**Item A.2: devaluations**

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They account for the aggregate value of the capital losses recognised on the trading securities portfolio as at 31 December 2020.

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

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

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Profits from financial operations dropped by 3.48 million Euro compared to 2019:

1. Securities management resulted in a EUR 0.79 million balance between capital gains and capital losses from valuation as at 31 December 2020 (EUR 2.24 million loss as at 31 December 2019) and trading gains totalling EUR 1.66 million (down EUR 1.97 million over 2019).
2. EUR -33,758 losses on foreign currency valuation/trading were reflected as at 31 December 2020 (a EUR 15,369 million gain was posted as at 31 December 2019).



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

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

	31 December 2020	31 December 2019	Changes	
			Amount	%
<b>Other operating proceeds:</b>				
a) Rents received	3,500	3,500	0	0%
b) Recovery of costs for adjusting the RIS to SEPA standards	10,306	18,062	-7,756	-42.94%
c) Recovery of sums levied from supervised parties	2,068,396	2,174,631	-106,235	-4.89%
d) Credit notes, allowances and positive rounding-off of figures	166	28	138	492.86%
e) Proceeds from Overdue Tax Collection Services	30,804	37,665	-6,861	-18.22%
f) Recovery of costs for Central Credit Register	167,708	209,773	-42,065	-20.05%
g) Recovery of costs associated with procurement services for banknotes and coins	201,007	200,238	769	0.38%
h) Annual maintenance costs of the RIS for SEPA payment instruments	18,101	18,244	-143	-0.78%
i) Insurance settlements	1,859	0	1,859	n.a.
l) Recovery of POS-related costs	47,303	47,746	-443	-0.93%
m) Miscellaneous proceeds	10,250	4,839	5,411	111.82%
<b>Total</b>	<b>2,559,400</b>	<b>2,714,726</b>	<b>-155,326</b>	<b>-5.72%</b>
<b>Other operating costs:</b>			<b>Amount</b>	<b>%</b>
a) Expenses related to the centralised management of cash	106,737	99,401	7,336	7.38%
b) Allowances and various rounding-off of figures	108	73	35	47.95%
c) Costs for extraordinary proceedings on supervised entities	0	10,000	-10,000	-100%
d) Miscellaneous costs	1,175	1,136	39	3.43%
<b>Total</b>	<b>108,020</b>	<b>110,610</b>	<b>-2,590</b>	<b>-2.34%</b>

The item "Other operating proceeds" includes, as the most significant economic component, the portion of the total costs deriving from performing the supervisory function on other financial, insurance and lending activities, charged to supervised parties for the financial year 2020. The remainder of these costs is not recovered and the Central Bank bears these expenses.

"Recovery of costs for Central Credit Register" refers to the recognition of the recovery of costs pertaining to financial year 2020 carried out by the Central Bank pursuant to Circular No. 2015-02.

"Recovery of costs associated with procurement services for banknotes and coins" refers to the recoveries made in 2020 with the relevant amount for the period.

"Recovery of POS-related costs" refers to the recovery of costs sought from the Broader Public Administration in 2020 for the POS service provided to them.

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



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

	Average as at 31 December 2020	Labour costs as at 31 December 2020	Headcount as at 31 December 2020	Average as at 31 December 2019	Labour costs as at 31 December 2019	Headcount as at 31 December 2019
a) Senior Officers <sup>2</sup>	1.00	95,760	1	1.00	73,181	1
b) Managers	11.83	1,279,175	11	11.92	1,262,342	12
c) Other staff	80,25	4,528,069	80	80.58	4,589,219	81
1. Front office managers/clerks	77.00	4,450,638	77	76,83	4,495,681	77
2. support staff	3.25	77,431	3	3.75	93,538	4
<b>Total</b>	<b>93.08</b>	<b>5,903,004</b>	<b>92</b>	<b>93.50</b>	<b>5,924,742</b>	<b>94</b>

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

	31 December 2020	31 December 2019	Changes	
			Amount	%
Other administrative costs:				
Remuneration to the Audit firm	19,026	19,026	0	0%
- of which: for services other than the auditing of the financial statements	0	0	0	0%
Graphic art work and advertising	4,820	7,002	-2,182	-31.16%
Insurance premiums	474,664	393,863	80,801	20.52%
Miscellaneous utilities and cleaning of premises	101,011	109,725	-8,714	-7.94%
Forms, stationery and newspapers	27,266	30,938	-3,672	-11.87%
Postage and telephone	133,437	205,245	-71,808	-34.99%
Consumables and spare parts	7,916	10,697	-2,781	-26.00%
Professional consultancy fees	492,588	747,779	-255,191	-34.13%
Reimbursement of travel costs	14,400	37,709	-23,309	-61.81%
Travel	8,190	57,670	-49,480	-85.80%
Rentals, technical assistance, repairs and various services	1,357,266	1,371,409	-14,143	-1.03%
Association memberships and similar fees	11,275	9,501	1,774	18.67%
Rents paid	67,223	95,830	-28,607	-29.85%
Import taxes	1,888	1,098	790	71.95%
Armed security	0	14,878	-14,878	-100.00%
Translations	12,093	10,260	1,833	17.87%
Miscellaneous transport	22,307	15,998	6,309	39.44%
Miscellaneous and sundry expenses	32,765	40,326	-7,561	-18.75%
<b>Total</b>	<b>2,788,135</b>	<b>3,178,954</b>	<b>-390,819</b>	<b>-12.29%</b>

<sup>2</sup>Seconded to Banca Nazionale Sammarinese S.p.A. from 21 August 2019 to 20 February 2020.

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

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

**Table 27.3: Remuneration**

	31 December 2020	31 December 2019	Changes	
			Amount	%
Directors	191,510	176,320	15,190	8.62%
Statutory Auditors	40,060	46,462	-6,402	-13.78%
Management	231,132	231,405	-273	-0.12%
<b>Total</b>	<b>462,702</b>	<b>454,187</b>	<b>8,515</b>	<b>1.87%</b>

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

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

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

	31 December 2020	31 December 2019	Changes	
			Amount	%
a) Intangible fixed assets	100,506	128,066	-27,560	-21.52%
- Software	96,373	123,933	-27,560	-22.24%
- multi-year costs	0	0	0	0%
- multi-year costs on third party assets	4,133	4,133	0	0%
b) Tangible fixed assets	235,528	236,557	-1,029	-0.43%
- real property	189,146	189,146	0	0%
- systems and fittings	7,787	11,221	-3,434	-30.60%
- other tangible fixed assets	38,595	36,190	2,405	6.65%
<b>Total</b>	<b>336,034</b>	<b>364,623</b>	<b>-28,589</b>	<b>-7.84%</b>



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

	31 December 2020	31 December 2019	Changes	
			Amount	%
a) Retirement funds	0	0	0	0%
b) Tax funds	0	0	0	0%
c) Other funds:	4,219,481	2,369,345	-2,019,945	-85.25%
<i>of which:</i> fund for legal proceedings;	195,200	200,295	-5,095	-2.54%
<i>of which:</i> fund for costs for extraordinary proceedings	137,000	217,250	-80,250	-36.94%
<i>of which:</i> fund for losses on subsidiaries	3,870,081	1,900,000	-1,900,000	-100%
<i>of which:</i> fund for miscellaneous costs	17,200	51,800	-34,600	-66.80%
<b>Total</b>	<b>4,219,481</b>	<b>2,369,345</b>	<b>-2,019,945</b>	<b>-85.25%</b>

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

1. Fund for lawsuits (EUR 195,200) in view of the estimated costs that could arise from proceedings submitted to the Court in previous years and during 2020;
2. Fund for costs for extraordinary proceedings (EUR 137,000) in view of the financial support to be provided in respect of administrative compulsory winding-up procedures;
3. Fund for investment losses (EUR 3,870,081) in relation to the loss of EUR 5,770,081 posted by the subsidiary Banca Nazionale Sammarinese S.p.A., as already illustrated in the section of the Notes to the financial statements relating to Shareholdings;
4. Fund for miscellaneous costs (EUR 17,200) pertaining to costs agreed by contract but not yet invoiced by the supplier, in relation to which negotiations would take place in order to define the final amount due.

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

In 2020 and 2019, no provisions were allocated to the fund for credit risks.

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

	31 December 2020	31 December 2019	Changes	
			Amount	%
a) Value adjustments on credits	30,270	112,553	-82,283	-73.11%
b) Provisions for guarantees and commitments	0	0	0	0%
<b>Total</b>	<b>30,270</b>	<b>112,553</b>	<b>-82,283</b>	<b>-73.11%</b>

These refer to value adjustments made to credits in 2020 for the recovery of sums levied from supervised parties included under "other assets", as shown in the breakdown of this latter item.



No value adjustments on credits either with clients or banks were accounted for in 2019 and 2020.

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

	31 December 2020	31 December 2019	Changes	
			Amount	%
Value recoveries	67,061	0	67,061	n.a.
<b>Total</b>	<b>67,061</b>	<b>0</b>	<b>67,061</b>	<b>n.a.</b>

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

No value recoveries on credits either with clients or banks were accounted for in 2019 and 2020.

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

In 2020 and 2019, no value adjustments were made on financial fixed assets.

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

In 2020 and 2019, no value recoveries on financial fixed assets were made.

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

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

	31 December 2020	31 December 2019	Changes	
			Amount	%
<b>Extraordinary proceeds</b>				
a) Windfall proceeds	4,543	16,420	-11,877	-72.33%
b) Contingent assets	20,899	148,821	-127,922	-85.96%
c) Rounding offs in Euro (EUR) units	2	0	2	0%
<b>Total</b>	<b>25,444</b>	<b>165,241</b>	<b>-139,797</b>	<b>-84.60%</b>
<b>Extraordinary costs</b>				
a) Windfall costs	1,391	17,229	-15,838	-91.93%
b) Contingent liabilities	0	4,414	-4,414	-100%
c) Capital losses	0	46	-46	-100%
d) Other extraordinary costs	0	281,387	-281,387	-100%
e) Rounding offs in Euro (EUR) units	0	2	-2	-100%
<b>Total</b>	<b>1,391</b>	<b>303,078</b>	<b>-301,687</b>	<b>-99.54%</b>



Extraordinary proceeds and costs decreased significantly in 2020. Among the latter, "Other extraordinary costs" are zero; in 2019 they included capital losses arising from the sale of securities held for investment.

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

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

	31 December 2020	31 December 2019	Changes	
			Amount	%
Change in the Fund for general financial risks	4,956,286	-500,457	5,456,743	1,090.35%
<b>Total</b>	<b>4,956,286</b>	<b>-500,457</b>	<b>5,456,743</b>	<b>1,090.35%</b>

As previously illustrated in the corresponding liability item, withdrawals from the Fund for general financial risks were made pursuant to a resolution issued by the Governing Council with the aim of covering the operating deficit for 2020. For further details on the movements in the Fund for general financial risks, please refer to the previous Section 19, Table 19.1.



## 31 Statement of Cash Flows

Generated and collected funds	2020	2019
<b>Funds generated from operations</b>		
Operating loss	0	0
Provisions for risks and charges	4,219,481	2,369,345
Provisions to the fund for general banking risks	0	500,457
Value adjustments on fixed assets	336,034	364,623
	<b>4,555,515</b>	<b>3,234,425</b>
<b>Increase in funds collected:</b>		
Other liabilities	0	0
Debts with credit institutions	159,092,703	46,664,649
Debts with customers	75,239,393	68,798,435
Debts represented by financial instruments	0	0
Provisions for staff retirement allowances	443,945	490,040
Other changes	0	0
Accrued expenses and deferred revenues	0	0
	<b>234,776,041</b>	<b>115,953,124</b>
<b>Decrease in funds used</b>		
Other assets	3,491,019	5,489,925
Shares, quotas and other capital financial instruments	0	0
Cash and available funds	0	0
Intangible fixed assets	0	0
Tangible fixed assets	0	46
Accrued revenues and deferred expenses	0	10,194
Inter-bank loans	0	30,369,009
Bonds and other debt financial instruments	34,277,018	0
Loans to customers	5,110,495	5,506,744
Shareholdings	0	0
	<b>42,878,532</b>	<b>41,375,918</b>
<b>Total generated and collected funds</b>	<b>282,210,088</b>	<b>160,563,467</b>

<b>Funds used and spent</b>	<b>2020</b>	<b>2019</b>
<b>Value recoveries and use of funds generated from operations:</b>		
Value recoveries (on "other funds")	162,970	177,500
Utilisation of other funds	4,956,286	0
Dividends paid out	0	0
Other reserves (unavailable reserves)	0	0
	<b>5,119,256</b>	<b>177,500</b>
<b>Increase in funds spent:</b>		
Other assets	0	0
Other changes	0	0
Cash and available funds	2,320,723	1,040,739
Loans to credit institutions	272,946,923	0
Loans to customers	0	0
Intangible fixed assets	65,356	87,010
Tangible fixed assets	33,999	15,111
Shares, quotas and other capital financial instruments	315	230
Bonds and other debt financial instruments	0	139,397,876
Shareholdings	0	19,000,000
Accrued revenues and deferred expenses	70,630	0
	<b>275,437,946</b>	<b>159,540,966</b>
<b>Decrease in funds collected:</b>		
Other liabilities	1,120,939	293,195
Debts with banks	0	0
Debts with customers	0	0
Use of staff retirement allowances	495,514	507,618
Debts represented by financial instruments	0	0
Accrued expenses and deferred revenues	36,433	44,188
	<b>1,652,886</b>	<b>845,001</b>
<b>Total funds used and spent</b>	<b>282,210,088</b>	<b>160,563,467</b>





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## Board of Statutory Auditors on the Annual Report for the year ended 31 December 2020



**BOARD OF STATUTORY AUDITORS REPORT**  
**ON THE FINANCIAL STATEMENTS CLOSED ON 31 DECEMBER 2020**

Dear Shareholders,

The draft financial statements for the year ended 31 December 2020 — which the Governing Council of Central Bank of the Republic of San Marino (hereinafter also referred to as the “Bank” or “Supervisory Authority”) has submitted for your perusal in order to gain approval — were prepared in accordance with the laws currently in force (Law No. 96 dated 29 June 2005, as amended from time to time - Central Bank Statutes; Law No. 165 dated 17 November 2005 - Law on Companies and Banking, Financial and Insurance Services; Law No. 47 dated 23 February 2006, as amended from time to time - Company Law) and with due account being taken of the standards of conduct recommended by the Professional Associations. The financial statements consist of the Balance Sheet, Profit and Loss Account, Notes to the financial statements and the Report of the Governing Council.

The draft annual report was approved by the Governing Council in its meeting of 26 May 2020 and on 28 May they were made available to the Board of Statutory Auditors, hence within the time limit set forth in Article 83(1) of Law No. 47 dated 23 February 2006 (Company Law).

The Notes to the financial statements detail the accounting principles adopted and the process for determining the operating result, which is a breakeven as a result of the use of the general financial risks fund, which was decided by the Governing Council in order to cover the operating deficit recorded in 2020, amounting to EUR 4,956,286, as permitted by current legislation.

The figures shown in relation to the underlying transactions, which were reflected statically in this Annual Report, were adequately evidenced in the report on operations required under the Statutes and which the Board, following its review, considers to be consistent with the financial statements.

This report is provided in response to the statutory duty whereby auditors are required to perform their tasks based on the experience and diligence requirements underlying their assignment, inasmuch as they are responsible for the truthfulness of their statements and must maintain the secrecy on facts and documents of which they become aware in the discharge of their duties.

At the same time, this report proves to be a useful tool for exchanging information with the General Meeting of the Shareholders, a corporate body, on the general performance of the company's business and on the administration and control systems.

The substantive legality control carried out by the Board of Statutory Auditors was performed in compliance with the rules that protect not only the interests of the Bank and its shareholders but also those of its stakeholders, whose contribution is essential to the achievement of a specific objective of the Bank. The scope of this activity did not consist of a purely external audit, i.e. providing feedback on formal compliance with the law, although it could not possibly also cover the choices made by the

Governing Council in its capacity as the administrative body responsible for the appropriateness, cost-effectiveness and prudence of management-related decisions.

With this annual report, therefore, the Auditors report to the General Meeting of the Shareholders on the findings of the audit tasks performed as regards both the results for the financial year and the outcome of the relevant audit on the compliance of the financial statements, thereby providing the General Meeting of the Shareholders with a useful tool for assessing the report on operations, so that it may express its opinion thereon.

The Bank's activities in 2020 were carried out in an exceptionally complex context: the global health emergency due to the COVID-19 pandemic also involved the Republic of San Marino in emergency measures and the year 2020 was for all economic operators (not only in San Marino), a period of atypical performance of their activities, inevitably affected by the effects resulting from the health emergency and the numerous regulatory measures which affected all sectors of socio-economic life.

Central Bank has been engaged in important organisational efforts to face the months of emergency, guaranteeing the business continuity and to carry out the adjustments required by the law in order to safely manage the operational phase and the restart: it is believed that, at present, the conditions for the continuation of the activity exist. Also in the first months of 2021, the continuing health emergency has determined, also in San Marino, the issuance of measures to limit the contagion and therefore also the current financial year will be a period of atypical activity.

During the year, the supervisory task assigned to the Board of Statutory Auditors by the Statutes and the law was carried out through periodic audits, sometimes carried out with the cooperation of the department heads, which are recorded in the book of the Board of Statutory Auditors stamped in accordance with the law.

As at 31 December 2020, the transcribed minutes did not disclose any significant facts worth mentioning in this Report or any situations in breach of law provisions and/or objections to be brought to the attention of the Judicial Authority or the Financial Intelligence Agency.

It should be noted that the Board of Statutory Auditors did not receive, either from the Shareholders or third parties, any reports of allegedly illegal facts or complaints of any kind pursuant to Article 65 of Law no. 47/2006.

In 2020, the Board of Statutory Auditors:

- Took part in the meetings of the Governing Council. With reference to such meetings, on the basis of the information obtained we can reasonably certify that the actions resolved upon were in compliance with the law and the Statutes; they were not (i) manifestly imprudent or hazardous, (ii) deemed to cause a potential conflict of interest or (iii) in contrast with the resolutions passed by the General Meeting of the Shareholders, nor were they such as to jeopardise the integrity of company assets;

- Took part in the General Meetings of the Shareholders, during which the information provided by the Chairman and the acting Deputy Director was found to be in accordance with the duties discharged by the Executive Board and reflect the facts actually occurred;
- Acknowledged the effectiveness of the working method adopted within the Governing Council, whose individual members, subject to express and limited powers, interacted with the organisational structure on work areas, to the extent that they identified areas requiring a functional revision with reference to both internal committees and processes and activities carried out, thereby facilitating the implementation of generally shared solutions;
- Obtained, during the audits carried out periodically as well as during the meetings of the Governing Council, information about the general operating performance and its outlook, as well as about the most significant economic, financial and asset transactions, such information being provided by the Bank's officers, directors and acting Deputy Director;
- Assessed the adequacy of the organisational structures from an administrative and accounting perspective, checking the appropriate operation and establishing the existence of a system capable of ensuring thoroughness and reliability of the accounting recognition of underlying transactions both on the basis of assessments conducted by the Board itself and on the absence of any concerns raised by the Audit Firm. The accounts were found to be kept in accordance with standards and regulations complying with the current legislation, on the basis of which the Governing Council was able to gain periodic insights and budget projections useful for the cost rationalisation project;
- Monitored compliance of management actions, including the lawfulness of governance processes, checking the implementation of the remedial measures that resulted from audit findings and acknowledging a fast-paced internal regulation updating process that was scheduled to be completed in the current financial year with regard to relations between the Governing Council and the Supervision Committee as under the Statutes;
- Checked the Governing Council's constant focus on establishing internal control structures with a view to ensuring both operational compliance and management efficiency.
- Checked that appropriate anti-money laundering control procedures were in place and verified the adequacy of the Control Plan prepared by the designated officer.

The Draft Balance Sheet submitted for your perusal consists of the Balance Sheet, Profit and Loss Account, Notes to the Financial Statements and the Report of the Governing Council.

The Balance Sheet and the Profit and Loss Account were prepared according to the statements defined by CBSM Regulation No. 2016/02; the Notes to the financial statements were prepared based on the provisions set out in the aforementioned Regulation and CBSM Circular No. 2017/03, with account

also being taken however of the peculiarities typical of the business of a Central Bank.

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

The draft balance sheet was approved by the Governing Council in its meeting of 26 May 2020 and on 28 May it was made available to the Board of Statutory Auditors, hence within the time limit set forth in Article 83(1) of Law No. 23/02/2006 dated 23 February 2006 (Company Law).

The Board of Statutory Auditors reviewed the draft balance sheet for the year ended 31 December 2020 and the Notes to the financial statements containing an explanation of the valuation criteria, adjustments and provisions, information on the balance sheet, on the profit and loss account and other information, as well as the report of the Governing Council.

Analysis by the sampling method did not detect any anomalies.

We have read the report prepared by the audit firm AD&B spa, dated 31 May 2021 and received by the undersigned today, prepared in accordance with the regulations in force concerning banks and companies, and we note what follows:

- i) it has been prepared in accordance with international auditing standards in line with internal regulations on annual reports;
- ii) an opinion has been given on whether the annual report complies with the rules governing the preparation of annual reports,
- ii) an unqualified opinion was expressed on the consistency of the Management Report with the Annual Report,
- (iv) there are certain disclosure requirements that do not alter or modify the auditor's opinion and appear to focus attention on certain significant events that occurred during the year.

In light of the above, having examined the contents of the auditor's opinion: *"the annual report gives a true and fair view of the assets and liabilities statements of the Central Bank of the Republic of San Marino as at 31 December 2020 and of the operating results for the year ended at that date"*, we acknowledge the information provided by the audit firm, which does not change the opinion, concerning the following significant events:

- Shareholdings: the item relates solely to the 100% holdings in Banca Nazionale Sammarinese S.p.A. amounting to EUR 19,000,000.00 (nominal value), whose ownership did not result in the establishment of a Banking Group by Central Bank as established by Article 24(3) of Law no. 157/2019. This shareholding is excluded from management and coordination by CBSM. Delegated Decree No. 126 dated 27 July 2020 (ratification of Delegated Decree No. 107 dated 30 June 2020) defined BNS's new *mission* by providing for a deadline of thirty days from the

date of ratification of the same Delegated Decree, the transfer of all BNS shares to the State at the value of the assets resulting from the annual report as at 31 December 2019.

B.N.S.'s annual report for the financial year from 22 July 2019 to 31 December 2019, approved on 30 December 2020, showed a loss of EUR 5.8 million, resulting in a decrease in net equity to EUR 13,229,919. In the same annual report, there are losses carried forward of EUR 27,218,884 representing the residual deficit of Banca Cis under extraordinary administration, which are not included in the calculation of the BNS's capital, as they were fully removed in 2020 and transferred to the Public Vehicle under Law no. 115/2019. Therefore, the Bank increased the "Risks and costs fund" by a further EUR 3.9 million standing at EUR 5.8 million as at 31 December 2020, i.e. equal to the amount of the loss recorded by the BNS as at 31 December 2019.

The 2020 annual report of the BNS, which is still provisional and not yet approved, shows a loss of approximately EUR 14.4 million; CBSM has decided not to make any provision in this regard, as the aforementioned Decree no. 126/2020 defines the assignment terms and price as equal to the value of the investee's assets as at 31 December 2019.

- The Bank provided information on the actions and measures taken as a result of the Covid-19 outbreak: CBSM has been making considerable organisational efforts to (i) deal with the situation during the months of the emergency, ensuring business continuity, and (ii) comply with the new regulations laid down by law in order to manage the operational and restart phase safely. In the light of the foregoing, it was considered that the conditions for business to continue were met.
- Fund for general financial risks: Pursuant to a resolution issued by the Governing Council on 24 March 2021, withdrawals were made from the fund for general financial risks to the extent of EUR 4.96 million for the purpose of covering the operating deficit for 2020. As at 31 December 2020 this fund posted a balance of EUR 32.5 million.

The Board of Statutory Auditors certifies that it did not detect any critical aspects arising from the aforesaid Independent Auditors' report, having moreover established that the financial statements are consistent with the facts and information of which the Board of Statutory Auditors is aware following the discharge of its duties and in the absence of any concern being raised.

Based on the foregoing and further considering that no irregularities were identified and no reservations were raised, the Board of Statutory Auditors hereby represents that — to the extent of the scope of its audit and to the best of its knowledge — the Annual Report was prepared in compliance with the laws governing its preparation and basis of presentation. As a result, it provided a clear and fair view of the financial and income position.

Finally, the members of the Board of Statutory Auditors would like to express their appreciation to the Governing Council, the acting Deputy Director and the staff as a whole, whose cooperation and support proved most helpful in gaining an understanding of the facts and performing our audit tasks.

Dear Shareholders,

We recommend you approve the draft Annual Report for the period ended 31 December 2020. Our recommendation is based on both the foregoing facts and the exhaustive disclosures provided, allowing the stakeholders to gain a fair view of their investment and of the correct statement of assets and liabilities, profit or loss of the Supervisory Authority against the background in which the Central Bank operates.

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The Board of Statutory Auditors, on its own responsibility and further pursuant to Article 6(10) of Delegated Decree No. 46 dated 24 February 2011, hereby represents that the subjective and objective conditions as applicable under current legislation to each of its members for the discharge of their duties continue to be met.

San Marino, 01 June 2021

The Board of Statutory Auditors

Mr Pier Angela Gasperoni

Ms Valentina Di Francesco

Ms Monica Zafferani

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# Audit Firm's Report on the Annual Report for the year ended 31 December 2020





audit business & development spa

## **INDEPENDENT AUDITOR'S REPORT PURSUANT TO ARTICLE 23(3) OF LAW NO. 96 DATED 29 JUNE 2005 (CENTRAL BANK STATUTES)**

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

### **Introduction**

We have audited the Annual Report of the CENTRAL BANK OF THE REPUBLIC OF SAN MARINO (hereinafter also referred to as the Bank or Central Bank), which comprise the Balance Sheet as at 31 December 2020, the Profit and loss account for the financial year then ended and the Notes to the financial statements.

### **Scope of application**

We conducted our audit in accordance with the regulations in force in the Republic of San Marino and, where applicable, with the International Standards on Auditing. Our responsibilities pursuant to such principles are further described in the section "Responsibilities of the auditing firm as regards the auditing of the Annual Report" included in this report. We act independently of the Bank, in compliance with the provisions and principles on ethics and independence applicable to the auditing of the Financial Statements, according to the legal framework of San Marino. We believe that we collected sufficient and appropriate evidence to support our opinion.

### **Other aspects**

This report was issued pursuant to Article 23(3) of Law No. 96 dated 29 June 2005 (CENTRAL BANK Statutes). Accounting control tasks were performed by an entity other than the undersigned audit firm.

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

The Directors are responsible for the (i) preparation of the Annual Report that gives a true and fair view, in accordance with the laws and regulations of San Marino setting forth the basis of preparation of financial statements and, to the extent required by law, (ii) that part of the internal auditing of such financial statements considered as necessary in order to allow the preparation of financial statements that do not contain any material misstatement, whether due to fraud or error. The directors are responsible for assessing the Bank's ability to continue as a going concern and, in preparing

Audit Firm and accounting organisation

ab & d audit business & development spa | Via XXVIII Luglio, 212 - **47393** Borgo Maggiore RSMA - Telephone 0549 883303 - Fcx 0549 888804 - Legal recognition dated 15 November 2004 Entered at no. 1 in the Register of Auditors - Entered at no. 3502 in the Public Register of Companies - Economic Operator Code: sm 19612 - Share capital EUR 100,000.00 fully paid up

the annual report, for the correct use of the assumption of business continuity, as well as for an adequate information to this regard. The Directors rely on the going concern assumption, unless they believe that the conditions exist for the winding-up of the Bank or for the termination of business operations or have no feasible alternative to such decisions.

The Board of Statutory Auditors is responsible for supervising, consistent with law requirements, the Bank's financial reporting process.

### **Responsibilities of the audit firm as regards the auditing of the annual report**

Our objectives include obtaining reasonable assurance about whether the annual report as a whole are free from any material misstatement, whether due to fraud or error, and issuing an auditor's report that includes our opinion. By reasonable assurance we mean a high level of assurance that, however, does not provide any guarantee that an auditing performed in accordance with the laws and regulations in force in the Republic of San Marino and, where applicable, with the International Standards on Auditing, would identify a significant error, if present. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this annual report.

As part of the audit we performed in compliance with the regulations and laws in force in the Republic of San Marino and, where applicable, with the International Standards on Auditing, we relied upon our professional judgment and maintained professional scepticism throughout the audit. Moreover:

- We identified and assessed the risks of material misstatements in the annual report, whether due to fraud or error; we defined and performed auditing procedures to respond to such risks; we acquired sufficient and appropriate evidence to support our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- We gained a significant understanding of the internal control for the purposes of the audit with a view to defining auditing procedures appropriate to the circumstances and not to express an opinion on the effectiveness of the internal control of the Bank;
- We assessed the appropriateness of the accounting principles used and the adequacy of the accounting estimates made by the Directors, including the relevant disclosures;
- We reached a conclusion on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether significant uncertainty exists in relation to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern.

- If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on evidence obtained up to the date of this report. However, future events or conditions may cause the Bank to cease to continue as a going concern;
- We assessed the presentation, structure and contents of the financial statements as a whole, including the disclosures, and whether the financial statements represent the underlying events and circumstances so as to provide a fair view.

We also informed *governance* officers, as identified at an appropriate level, regarding the planned scope and time horizon of the audit and significant audit findings, including any significant deficiencies in internal control identified during our audit.

## Opinion

In our opinion, the annual report gives a true and fair view of the assets and liabilities and financial position of the CENTRAL BANK OF THE REPUBLIC OF SAN MARINO as at 31 December 2020 and of the profit or loss of the Bank for that period.

## Emphasis of matter

Without qualifying our audit opinion, attention is drawn on the disclosures detailed in the Notes to the financial statements and in the "Governing Council's Report for financial year 2020" as regards the following financial highlights.

- "Shareholdings" only include the 100% interest held in Banca Nazionale Sammarinese S.p.A. (hereinafter referred to as "BNS") totalling EUR 19 million, the ownership of which did not result in the establishment of a Banking Group related to the Central Bank as laid down by Article 24(3) of Law No. 157 dated 19 November 2019, according to which shareholdings acquired following the application of Article 10(7) of Law No. 102 dated 14 June 2019 are excluded from the management and coordination activities of the Central Bank of the Republic of San Marino. The shareholding in BNS was booked at nominal value in accordance with Article 24(3) of the aforesaid Law No. 157/2019.

Delegated Decree No. 126 dated 27 July 2020 (ratification of Delegated Decree No. 107 dated 30 June 2020) defined BNS's new *mission* and provided for a deadline of thirty days from the date of ratification of the same Delegated Decree, for the transfer of all BNS shares to the State at the value of the assets resulting from the annual report as at 31 December 2019.

The BNS's annual report for the financial year 22 July 2019 to 31 December 2019, approved on 30 December 2020, closed with a loss of EUR -5.8 million, resulting in a decrease in the BNS's net equity, as at 31 December 2019, from EUR 19 million to EUR 13.2 million. The same annual report also includes losses carried forward of EUR -27.2 million, representing the residual deficit of Banca Cis under extraordinary administration,

which are not included in the calculation of the BNS's assets as they were fully removed in the course of 2020 and transferred to the Public Vehicle under Law No. 115/2019. Therefore, the Bank increased item 70 "Risks and costs fund" (already amounting to EUR 1.9 million as at 31 December 2019) by a further EUR 3.9 million, to EUR 5.8 million as at 31 December 2020, i.e. equal to the amount of the loss recorded by the BNS as at 31 December 2019.

The 2020 annual report of the BNS, which is still provisional, shows a loss of approximately EUR 14.4 million; the BNS has decided not to make any provision in this regard, as the aforementioned Decree no. 126/2020 defines the assignment price as equal to the value of the investee's assets as at 31 December 2019.

- The Bank provided information about the actions and measures taken as a result of the Covid-19 pandemic, leading to believe that the conditions for business operations to continue were met, as detailed in the section on "Operating outlook".
- The Bank, as allowed by the regulations in force, has used the Fund for general financial risks for EUR 4.96 million in order to stabilise the economic result for the financial year 2020. As at 31 December 2020, the Fund for general financial risks shows a final balance of EUR 32.5 million.

### **Other aspects**

It should be noted that while the Bank holds a controlling interest it does not prepare consolidated financial statements, both pursuant to Article 24(3) of Law No. 157 dated 19 November 2019 and because the current regulatory framework does not yet so require.

San Marino, 31 May 2021

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

Marco Stolfi - Director



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# Guarantee Fund for Depositors





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Statement of operations for financial year 2020 Statement of assets and liabilities

ASSETS	31 December 2020		31 December 2019	
	Total value	As a percentage of assets	Total value	As a percentage of assets
<b>A. FINANCIAL INSTRUMENTS</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
A.1. Listed financial instruments	0	0%	0	0%
A.1.1. Debt securities	0	0%	0	0%
A.1.2. Capital securities	0	0%	0	0%
A.1.3. CIS parts	0	0%	0	0%
A.2. Unlisted financial instruments	0	0%	0	0%
A.2.1. Debt securities	0	0%	0	0%
A.2.2. Capital securities	0	0%	0	0%
A.2.3. CIS parts	0	0%	0	0%
A.3. Derivative financial instruments	0	0%	0	0%
<b>B. CREDITS</b>	<b>0</b>	<b>0%</b>	<b>5,256,111</b>	<b>63%</b>
B.1. Repurchase agreements	0	0%	5,256,111	63%
B.2. Others	0	0%	0	0%
<b>C. CASH AT BANKS</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
C.1 On demand	0	0%	0	0%
C.2 Others	0	0%	0	0%
<b>D. LIQUIDITY</b>	<b>8,955,626</b>	<b>100%</b>	<b>3,116,263</b>	<b>37%</b>
<b>E. OTHER ASSETS</b>	<b>0</b>	<b>0%</b>	<b>0</b>	<b>0%</b>
<b>TOTAL ASSETS</b>	<b>8,955,626</b>	<b>100%</b>	<b>8,372,374</b>	<b>100%</b>

LIABILITIES	31 December 2020		31 December 2019	
	Total value		Total value	
<b>F. FUNDING RECEIVED</b>	<b>0</b>		<b>0</b>	
<b>G. DERIVATIVE FINANCIAL INSTRUMENTS</b>	<b>0</b>		<b>0</b>	
<b>H. OTHER LIABILITIES</b>	<b>0</b>		<b>0</b>	
<b>TOTAL LIABILITIES</b>	<b>0</b>		<b>0</b>	

NET	31 December 2020		31 December 2019	
	Total value		Total value	
<b>NET ASSET VALUE OF THE FUND</b>	<b>8,955,626</b>		<b>8,372,374</b>	



## Statement of operations for financial year 2020 Income position

	31 December 2020	31 December 2019
	Total value	Total value
<b>FINANCIAL INSTRUMENTS</b>	<b>0</b>	<b>0</b>
LISTED FINANCIAL INSTRUMENTS	0	0
PROCEEDS FROM INVESTMENTS	0	0
Interest and other proceeds on debt securities	0	0
Dividends and other proceeds on capital income	0	0
Proceeds on CIS parts	0	0
PROFIT/LOSS ON DISPOSALS	0	0
Debt securities	0	0
Capital securities	0	0
CIS parts	0	0
CAPITAL GAINS/LOSSES	0	0
Debt securities	0	0
Capital securities	0	0
CIS parts	0	0
HEDGING TRANSACTIONS MARGIN OF LISTED FINANCIAL INSTRUMENTS	0	0
<b>Operating margin of listed financial instruments</b>	<b>0</b>	<b>0</b>
UNLISTED FINANCIAL INSTRUMENTS	0	0
PROCEEDS FROM INVESTMENTS	0	0
Interest and other proceeds on debt securities	0	0
Dividends and other proceeds on capital income	0	0
Proceeds on CIS parts	0	0
PROFIT/LOSS ON DISPOSALS	0	0
Debt securities	0	0
Capital securities	0	0
CIS parts	0	0
CAPITAL GAINS/LOSSES	0	0
Debt securities	0	0
Capital securities	0	0
CIS parts	0	0
HEDGING TRANSACTIONS MARGIN OF UNLISTED FINANCIAL INSTRUMENTS	0	0
<b>Operating margin on unlisted financial instruments</b>	<b>0</b>	<b>0</b>
NON-HEDGING DERIVATIVE FINANCIAL INSTRUMENTS	0	0
<b>Operating margin on non-hedging derivative financial instruments</b>	<b>0</b>	<b>0</b>
<b>CREDITS</b>	<b>9,168</b>	<b>28,199</b>
Interest received and other proceeds	9,168	28,199
Value increases/decreases	0	0
Profit/loss on disposals	0	0
<b>Operating margin on loans</b>	<b>9,168</b>	<b>28,199</b>
<b>CASH AT BANKS</b>	<b>0</b>	<b>0</b>
Interest received and other proceeds	0	0
<b>Operating margin on cash at banks</b>	<b>0</b>	<b>0</b>
<b>OTHER ASSETS</b>	<b>0</b>	<b>0</b>
<b>Operating margin on investment in other assets</b>	<b>0</b>	<b>0</b>
<b>FOREIGN CURRENCY MANAGEMENT</b>	<b>0</b>	<b>0</b>



<b>Operating margin of foreign currency management</b>	<b>0</b>	<b>0</b>
<b>OTHER OPERATING TRANSACTIONS</b>	<b>0</b>	<b>0</b>
<b>Operating margin on other transactions</b>	<b>0</b>	<b>0</b>
<b><u>GROSS OPERATING MARGIN OF OPERATING ACTIVITIES</u></b>	<b>9,168</b>	<b>28,199</b>
<b>FINANCIAL COSTS</b>	<b>0</b>	<b>0</b>
Interest paid on funding received	0	0
Other financial costs	0	0
<b><u>NET OPERATING MARGIN OF OPERATING ACTIVITIES</u></b>	<b>9,168</b>	<b>28,199</b>
<b>OPERATING COSTS</b>	<b>0</b>	<b>0</b>
Commissions	0	0
Administrative costs	0	0
Other operating costs	0	0
<b>OTHER REVENUES AND COSTS</b>	<b>2,699</b>	<b>1,024</b>
Other revenues	2,700	1,024
Other costs	1	0
<b><u>OPERATING PROFIT/(LOSS)</u></b>	<b>11,867</b>	<b>29,223</b>



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# Statement of operations for financial year 2020

## Notes to the financial statements



## Structure and contents of the Statement of operations

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

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

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

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

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#### Section 1 - Illustration of valuation criteria

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

Liquidity and credits were measured at nominal value, which corresponds to the assumed realisable value thereof.

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

As regards the valuation of financial instruments as at 31 December 2020, it is worth noting that on such date no such instruments were included in the portfolio.

#### Section 2 - Assets

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

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

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

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

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



### A.3. Derivative financial instruments

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

### B. CREDITS

<b>Credits</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Repurchase agreements	0	5,256,111
Others	0	0
<b>Total</b>	<b>0</b>	<b>5,256,111</b>

As at 31 December 2020, "Credits" are zero.

As at 31 December 2019 "Credits - Repurchase agreements" refer to repurchase agreement transactions with the Central Bank of the Republic of San Marino carried out according to the investment policy defined by the Governing Council of CBSM itself during the meetings held on 12 April 2017 and 27 November 2019.

The zero balance of the repurchase agreements as at 31 December 2020 was due to choices in the allocation of the fund's assets whereby — given the higher remuneration of the current account deposit compared to that paid for repurchase agreements and further in view of the aforementioned Governing Council's resolution dated 27 November 2019, resulting in a reduction of such remuneration — a decision was made to maintain available funds on the liquidity support account, pending the definition of new investment strategies.

### C. CASH AT BANKS

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

### D. LIQUIDITY

<b>Liquidity</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
Liquidity	8,955,626	3,116,263
<b>Total</b>	<b>8,955,626</b>	<b>3,116,263</b>

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

Interest to be received accrued as at the end of the financial year with reference to such current account, totalling EUR 811, was held under this item.

The increase over 2019 was due to the reasons as explained previously under "Credits".

### E. OTHER ASSETS

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



### Section 3 - Liabilities

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

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

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

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

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

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

### Section 4 - Net Asset Value

<b>Net Asset Value of the Fund</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Net equity at the beginning of the period</b>	<b>8,372,374</b>	<b>7,348,555</b>
Increases	571,385	994,596
Decreases	0	0
Result for the period	11,867	29,223
<b>Net equity at the end of the period</b>	<b>8,955,626</b>	<b>8,372,374</b>

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

a. Increases (EUR 0.57 million) pertain to ordinary contributions for the purpose of reaching the coverage level of 0.58% in 2020 as set by the Management Body with reference to the minimum European target level of 0.8% to be reached by 2024;

b. The result for the period (EUR 11,867) was tax exempt due to the institutional peculiarities of the Fund.

#### **Part B - Income position**

The year under review shows a positive result of EUR 11,867 resulting from components shown in the tables in this section.

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

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



## Section 2 - Operating margin on loans

Credits	31 December 2020	31 December 2019
Interest received and other proceeds	9,168	28,199
Value increases/decreases	0	0
Profit/loss on disposals	0	0
<b>Total</b>	<b>9,168</b>	<b>28,199</b>

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

In 2020, there was a substantial decrease (EUR -19,031; -67%), as a result of the choices already explained in relation to the item "Credits".

## Section 3 - Operating margin on cash at banks

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

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

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

## Section 5 - Operating margin of foreign currency management

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

## Section 6 - Operating margin on other transactions

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

## Section 7 - Financial costs

In the period under review no loans were raised.

## Section 8 - Operating costs

As was the case in the previous period, the costs for operating the Fund in 2020 were covered by the Central Bank, as established with resolution dated 6 April 2018 issued by the Governing Council of the Central Bank of the Republic of San Marino itself.

## Section 9 - Other revenues and costs

Other revenues and costs	31 December 2020	31 December 2019
Other revenues	2,700	1,024
Other costs	1	0
<b>Total</b>	<b>2,699</b>	<b>1,024</b>



“Other revenues” (EUR 2,700) pertain to interest accrued on the current account maintained with the Central Bank of the Republic of San Marino;

“Other costs”, amounting to EUR 1, result from the financial statements being rounded off to the nearest Euro unit.

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

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There was no other information to report.



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# Board of Statutory Auditors Report on the Statement of operations for financial year 2020



**BOARD OF STATUTORY AUDITORS REPORT**  
**ON THE STATEMENT OF OPERATIONS FOR THE FINANCIAL YEAR ENDED ON**  
**31/12/2020**  
**GUARANTEE FUND FOR DEPOSITORS**

To the participants and guaranteed parties of the Guarantee Fund for Depositors, the draft balance sheet for the year ended 31 December 2020, which the Board of Directors has submitted for your approval, was prepared in accordance with the laws currently in force (Law No. 96 dated 29 June 2005, as amended from time to time - Central Bank Statutes; Law No. 165 dated 17 November 2005 - Law on Companies and Banking, Financial and Insurance Services; Law No. 47 dated 23 February 2006 - Company Law). The annual report includes the Assets and Liabilities Statements, Income Position, Notes to the Financial Statements, Board of Statutory Auditors' Report as well as Audit Firm's Report.

The Statement on operations for the financial year was approved by the Governing Council on 26 May 2021 and it was made available to the Board of Statutory Auditors on 28 May.

During the financial year ended 31 December 2020, we discharged our duties in accordance with law provisions and 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.

**Activities of the Board of Statutory Auditors**

The Board of Statutory Auditors acknowledges that it has discussed with the Audit firm and has agreed with it on the activities for which it is responsible.

We monitored compliance with the laws, the Regulations of the Guarantee Fund for Depositors and the principles of sound administration.

We collected information from the Management Body on the overall operating performance and outlook, as well as on the Fund's transactions deemed as most significant in terms of size and characteristics. Based on the information we collected, we have no observation to make.

We were able to establish that the actions resolved upon and carried through were in compliance with the law and the Regulation and that no conduct deemed as imprudent, hazardous or causing a potential conflict of interest was identified.

To the extent of the scope of our audit, we gained an insight into and monitored the adequacy and operation of the accounting and governance system, its reliability in providing a fair view of underlying transactions by collecting information from the Management Body officers and from the party responsible for auditing, and have no special observation to make in this regard.

Insofar as necessary, we hereby acknowledge that the Board of Statutory Auditors was not made aware of any decision made by the competent Bodies that were not consistent with the regulations of the Central Bank or with the laws.

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

### **Statement of operations for financial year 31 December 2020**

We reviewed the Statement of operations for the year ended 31 December 2020, which was provided to us on 28 May 2021 — hence, within the time limit set forth in Article 83(1) of Law No. 47/2006 - Company Law — and in respect of which the following comments are provided.

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

The purpose of the Statement of operations, consisting of the assets and liabilities statements, the income position and the Notes to the Financial Statements, is to illustrate the composition of the Fund's assets and liabilities, the economic result achieved and the movements in assets; it has been drawn up on the basis of the accounting principles and valuation criteria generally applied by mutual investment funds, in accordance with the regulations in force.

The management report shows a positive result of EUR 11,867 and the operating result of the financial year is analytically demonstrated in the income components recorded in the Profit and loss account; the Balance Sheet represents a reliable expression of the company's assets and liabilities statements and financial situation.

It is reminded that the operating result is tax exempt due to the institutional peculiarities of the Fund.

### **Activities of the Board of Statutory Auditors**

We checked its general approach and its overall compliance with the laws regarding its basis of presentation, and have no special observation to make in this regard.

We checked compliance with the laws governing the preparation of the Statement of Operations and have no observation to make in this regard.

The Board of Statutory Auditors stayed in touch with the Audit Firm, and no major issues requiring further investigation were identified. We were not informed of any illegal acts existing in respect of the audits performed.

The Board of Statutory Auditors has examined the Report made by the Audit firm appointed by the Shareholders Assembly, which was received today, and which – in its conclusion – expresses the following opinion: *“the statement on operations represents the true and correct equity and financial performance of the Fund as at 31 December 2020 and the economic result for the financial year closed on such date, in compliance with Regulation no. 2007/06 issued by the Central Bank of the Republic of San Marino governing the criteria for its preparation”*.

## **Conclusion**

Based on the foregoing and further considering that no irregularities were identified and no reservations were raised, the Board of Statutory Auditors hereby represents that — to the extent of the scope of its audit and to the best of its knowledge — the Statement of Operations was prepared in compliance with the laws governing its preparation and basis of presentation. As a result, it provided a clear and fair view of the financial and income position.

Finally, the members of the Board of Statutory Auditors would like to express their appreciation to the Governing Council, the acting Deputy Director and the staff as a whole, whose cooperation and support proved most helpful in gaining an understanding of the facts and performing our audit tasks.

San Marino, 01 June 2021

The Board of Statutory Auditors

Mr Pier Angela Gasperoni

Ms Valentina Di Francesco

Ms Monica Zafferani

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## Audit Firm's Report on the Statement of operations for financial year 2020



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

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

**Opinion**

We audited the Statement of operations of the Guarantee Fund for Depositors (hereinafter referred to as the "Fund"), which comprises the assets and liabilities statements as at 31 December 2020, the income position for the financial year then ended and the accompanying notes.

In our opinion, the Statement on operations gives a true and fair view of the assets and liabilities, and financial position of the Fund as at 31 December 2020 and of the profit or loss of the Fund for that period, in accordance with Regulation No. 2007-06 issued by the Central Bank of the Republic of San Marino, setting forth the basis of preparation of statements on operations.

**Basis for opinion**

We conducted our audit in accordance with the regulations in force in the Republic of San Marino governing the criteria for the preparation of the statement of operations and, where applicable, with the International Standards on Auditing (San Marino has not adopted yet its own standards on auditing). Our responsibilities pursuant to such principles are further described in the section "Responsibilities of the auditing firm as regards the auditing of the statement of operation" included in this report. We act independently of the Fund, the Management Board appointed by the Central Bank of the Republic of San Marino and the directors of the latter, in accordance with the ethical and independence requirements applicable to the audit of financial statements under the legal framework of San Marino. We believe that we collected sufficient and appropriate evidence to support our opinion.

**Audit Firm and accounting organisation**

## **Responsibilities of the Management Body of the Fund and the Board of Statutory Auditors for the statement of operations**

The Directors of the Central Bank of the Republic of San Marino are responsible for (i) preparing a statement of operations of the Fund that gives a true and fair view, in accordance with Regulation No. 2007-06 issued by the Central Bank of the Republic of San Marino, and, to the extent as required by law, (ii) such internal control as the Directors determine is necessary to allow a statement of operations to be prepared without any material misstatement, whether due to fraud or error.

The Directors of the Central Bank of the Republic of San Marino are responsible for (i) assessing the Central Bank of the Republic of San Marino's ability to continue as a going concern, (ii) establishing, with regard to the preparation of the statement of operations, appropriate reliance on the going concern assumption, and (iii) providing adequate disclosures on the matter. In preparing the statement on operations, the Directors rely on the going concern assumption, unless they believe that the conditions exist for the winding-up of the Fund or for the termination of business operations or have no feasible alternative to such decisions.

The Board of Statutory Auditors of the Fund is responsible for supervising, consistent with law requirements, the Fund's financial reporting process.

## **Responsibilities of the auditing firm as regards the auditing of the statement of operations**

Our objectives include obtaining reasonable assurance about whether the statement of operations as a whole is free from any material misstatement, whether due to fraud or error, and issuing an auditing report that includes our opinion. By reasonable assurance we mean a high level of assurance that, however, does not provide any guarantee that an auditing performed in accordance with the laws and regulations in force in the Republic of San Marino would always identify a significant error, if present. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Annual Report.

As part of the audit we performed in compliance with the regulations and laws in force in the Republic of San Marino and, where applicable, with the International Standards on Auditing, we relied upon our professional judgment and maintained professional scepticism throughout the audit. Moreover:

- We identified and assessed the risks of material misstatements in the statement of operations, whether due to fraud or error;
- We defined and performed auditing procedures to respond to such risks; we acquired sufficient and appropriate evidence to support our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- We gained a significant understanding of the internal control for the purposes of the audit with a view to defining auditing procedures appropriate to the circumstances and not to express an opinion on the effectiveness of the internal control of the Fund and of the Central Bank of the Republic of San Marino;
- We assessed the appropriateness of the valuation criteria and procedures adopted and the adequacy of the accounting estimates made by the Directors, including the relevant information;
- We reached a conclusion on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether significant uncertainty exists in relation to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. Insofar significant uncertainty is deemed to exist, in our auditor's report we are required to draw attention to the related disclosures of the statement of operations or, if such disclosures are inadequate, to reflect such circumstance in our opinion. Our conclusions are based on evidence obtained up to the date of this report. However, future events or conditions may cause the Fund to cease to continue as a going concern;
- We assessed the presentation, structure and contents of the statement of operations as a whole, including the disclosures, and whether the statement of operations represents the underlying events and circumstances so as to provide a fair view.  
We communicate with those charged with governance, identified at an appropriate level, regarding among other matters, the planned scope and timing of the audit and significant audit findings.

San Marino, 31 May 2021

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

Marco Stolfi - Director



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