

Annual Accounts

2022



Annual Accounts

2022



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

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Governing Bodies of the Central Bank of the Republic of San Marino¹

| Governing Council | |
|--------------------|----------------|
| Catia Tomasetti | President |
| Francesco Mancini | Vice President |
| Walter Guidi | Member |
| Francesco Ielpo | Member |
| Antonella Mularoni | Member |

| Board of Statutory Auditors | |
|-----------------------------|-------------------|
| Pier Angela Gasperoni | Chair |
| Valentina Di Francesco | Statutory Auditor |
| Monica Zafferani | Statutory Auditor |

| Directorate General | |
|---------------------|--------------------------|
| Andrea Vivoli | Managing Director |
| Daniele Bernardi | Deputy Managing Director |

| Supervision Committee | |
|-----------------------|--------------------|
| Andrea Vivoli | Chair |
| Giuliano Battistini | Internal Inspector |
| Marco Giulianelli | Internal Inspector |
| Fabio Mazza | Internal Inspector |
| Maurizio Pappalardo | Internal Inspector |

¹ Updated as at 31 December 2022





Governing Council Report on Operations - FY 2022



Dear Shareholders,

Below are the financial highlights and main economic-equity indicators for financial year 2022.

| | 2022 | 2021 | Change | |
|--|--------------------|--------------------|---------------------|----------------|
| | | | absolute | % |
| Balance Sheet Total | 660,140,574 | 836,900,767 | -176,760,193 | -21.12% |
| Loans to credit institutions | 70,900,450 | 372,400,162 | -301,499,712 | -80.96% |
| Loans to customers | 21,931,451 | 27,073,205 | -5,141,754 | -18.99% |
| Bonds and other debt financial instruments | 537,015,051 | 408,621,050 | 128,394,001 | 31.42% |
| Shares, participations and other capital financial instruments | 7,275 | 6,055 | 1,220 | 20.15% |
| Shareholdings | 0 | 0 | 0 | 0% |
| Debts with credit institutions | 433,053,631 | 560,981,062 | -127,927,431 | -22.80% |
| Debts with customers | 160,067,899 | 211,529,797 | -51,461,898 | -24.33% |
| Debts represented by financial instruments | 0 | 0 | 0 | 0% |
| Risks and Costs Funds | 733,299 | 852,158 | -118,859 | -13.95% |
| Net equity ² | 56,581,942 | 57,610,190 | -1,028,248 | -1.78% |
| Interest margin | 3,194,996 | -1,111,343 | 4,306,339 | 387.49% |
| Profits and losses on financial transactions | -54,369 | 935,387 | -989,756 | -105.81% |
| Mediation margin | 9,296,822 | 4,828,742 | 4,468,080 | 92.53% |
| Gross operating margin | -736,118 | -4,318,741 | 3,582,623 | 82.96% |
| Extraordinary operations result | 32,774 | 5,940,967 | -5,908,193 | -99.45% |
| Net result | -1,028,248 | 1,267,167 | -2,295,415 | -181.15% |
| Change in the General Financial Risk Fund | 1,028,248 | -1,267,167 | 2,295,415 | 181.15% |
| Operating results | 0 | 0 | 0 | 0% |

Net equity data

Over the course of 2022, the balance sheet total decreased by EUR 176.76 million in the last financial year, shifting from EUR 836.90 million to EUR 660.14 million.

Fluctuations in the balance sheet were strongly affected by unstable funding and the resulting decrease in loans.

² It includes the endowment fund, reserves, the general financial risk fund, and the financial results of the financial year.



At the end of 2022, **funding** from banks and customers – mainly from the public sector – totalled EUR 593.12 million, compared to EUR 772.51 million as at 31 December 2021, reflecting a decrease of EUR 179.39 million.

More specifically, in the period under review:

- funding from banks decreased overall by EUR 127.93 million (-22.80%), with on demand deposits decreasing by EUR 259.29 million.
- funding from customers, on the other hand, recorded a decrease of EUR 51.46 million (-24.33%), referring solely to demand deposits and partially offset by the increase in term debts and debts with notice.

Loans to banks and customers and holdings in the securities portfolio as at 31 December 2022 stood at EUR 629.85 million compared to EUR 808.09 million as at 31 December 2021, with a decrease of EUR 178.24 million.

More specifically:

- loans to credit institutions decreased by EUR 301.50 million. The decrease involved items at sight only.
- loans to customers decreased by EUR 5.14 million due to the repayment of loans by the State (Ecc.ma Camera).

As better described in part A, Section 1 of the Notes to the Annual Accounts (Valuation criteria - Bonds and other financial debt instruments), as at the 2022 Annual Accounts, the **securities portfolio's** evaluation criteria have been modified in accordance with the provisions of the Delegated Decree no. 50 of March 21 2023, to gradually align the Annual Accounts with the accounting criteria adopted by Eurosystem Central Banks. As a result, the bond portfolio as at 31 December 2022 has been split into two separate portfolios: one with financial stability purposes, and the other consisting of proprietary funds held until maturity. Specifically, the amortised cost criterion allows for more financial stability with respect to past years, which have been characterised by significant fluctuations between capital gains and losses. Fluctuations mainly depended on the financial markets' performance, despite investments in securities whose repayability at maturity was unquestionable. Such factors resulted into abnormally uncertain economic performance, conflicting with the Bank's role as a central institution that is supposed to serve as a systemic reference point for financial stability.

The effects on the evaluation of assets and liabilities resulting from the adoption of the new accounting standards, and the consequent changes in the Income Statement are more thoroughly described in Section 1 of the Notes to the Annual Accounts.

As at 31 December 2022, the securities portfolio amounted to € 537.02 million, having increased by 31.42% compared to 31 December 2021. Such increase can mainly be ascribed to the reallocation of financial resources available on demand accounts during the first half of the year in favor of investments in financial instruments with the aim to optimize their yield.

As at 31 December 2022, **net equity** amounted to EUR 56.58 million and consisted of the endowment fund subscribed by the Ecc.ma Camera, as well as by banks, reserves, and the General Financial Risk Fund and operating margin, as detailed in the relevant section of the Notes to the Annual Accounts. It showed a decrease of EUR 1.03 million in 2022 due to the use of the general financial risk fund ordered by the Bank's Governing Council with the aim to replenish the operating surplus recorded in 2022 and close the year with a perfect break-even position.

Economic and Income Indicators

In comparison to last year, there has been a notable enhancement in the income indicators of ordinary operations, as demonstrated in the Reclassified Income Statement. The enhancement was positively influenced by the **mediation margin**, amounting to EUR 9.30 million, which increased by EUR 4.47 million compared to last year. This result was mainly determined by the increase in the interest margin and the rise in service revenues.



Below are the main components that have influenced the Bank's economic performance during the fiscal year 2022:

- **Interest margin**

The interest margin decreased by 4.31 million euro compared to 2021, mainly due to the growth in active interest particularly on debt securities, thanks to the adoption of the new criterion of amortised cost for the evaluation of the bond portfolio.

The increase was also supported by the widespread rise in market interest rates, which intensified in the latter part of the year, resulting in positive interest income from current accounts and deposits held with treasury banks.

Conversely, the interest expenses moved in the opposite direction, settling at EUR -1.56 million, as opposed to the EUR +0.26 million recorded last year.

- **Service revenues**

Compared to 2021, an increase of EUR 1.15 was recorded, with total service revenues amounting to EUR 6.16 million. Such increase was mainly due to the expansion of the items listed in the paragraph "Other operating proceeds". In this context, the new Agreement for the remuneration of services provided by the Central Bank to the Public Administration is noteworthy. Starting from 2022, the Agreement sets the full reimbursement of the annual costs linked to the Financial Information Agency (San Marino's FIU), which is part of CBSM on a structural and administrative point of view, but operates independently and autonomously based on a budget of expenses subject to annual analysis and review by the Credit and Savings Committee.

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

The net profits from financial operations amounting to EUR -54,369 (compared to EUR 935,387 in 2021) decreased by EUR 989,756 million compared to last year. Specifically, the securities management resulted in a trading loss of EUR -72,565 and a capital gain of EUR 1,220 from the single equity security held, due to the change in the valuation criteria for the amortised cost portfolio. Additionally, as at December 31, 2022, there is a profit from foreign currency valuation/trading of EUR 16,976 (compared to a profit of EUR 24,933 as at December 31, 2021). Additionally, as at 31 December, 2022, profit from foreign currency valuation/trading was EUR 16,976 (compared to a profit of EUR 24,933 as at 31 December 2021).

Focus on the global economic situation

The global growth rate for the year 2022 was 3.4%, nearly halved compared to the year-end 2021 figure (6%).

Such figure was significantly influenced by China's disappointing performance, which also experienced a growth rate of 3.0% compared to 8.1% last year.

China's economy slowed down due to several lockdowns in large areas of the country aimed at containing the Covid-19 pandemic, still a pending issue in the Asian country. Such situation demanded further significant efforts from the authorities.

In the so-called advanced economies, the growth rate was 2.7%, compared to 5.2% in 2021. More specifically, the United States grew by 2.1%, the Eurozone by 3.5%, with Germany showing an advancement of 1.8%, France 2.6%, Italy 3.7%, and Spain 5.5%.

Among other major world economies, Japan grew by 1.1%, the United Kingdom by 4.0%, and India by 6.8%.

The International Monetary Fund also recorded a negative growth rate for Russia (-2.1%), compared to a positive rate in 2021(4.7%).

The Middle East stands out among the emerging economies, with a growth rate of 5.3%, compared to 4.5% last year. Such figure was undoubtedly driven by Saudi Arabia's outstanding performance, which experienced a growth rate of 8.7%, compared to 3.2% in 2021.

The global economy, which was recovering momentum after the severe crisis caused by the Covid-19 pandemic, was once again put to the test in February 2022 by Russia's invasion of Ukraine. The invasion had been long prepared, with Russian troops concentrating along the Ukrainian borders. However, it still caught the international community off guard and urged it to conduct close negotiations and diplomatic activities to avoid an armed conflict in the heart of Europe.

The invasion caused death and devastation, both to military personnel and to unarmed civilians, with cities and villages reduced to rubble by heavy bombardments. In addition to the dramatic human toll, the war has brought about immediate economic repercussions.

The immediate repercussions on the economic and financial front have been both a shortage of food supplies from Ukraine and Russia, among the world's major grain producers, and a drastic reduction in Russian gas and oil supplies. A sharp rise in energy product prices has also been recorded, especially methane gas, which tripled in price during the middle months of 2022 compared to early 2021 levels.

The increase in prices was particularly rapid and substantial due to the strong dependence of all European economies on Russian gas supplies. Indeed, prices began to decline when European authorities started seeking alternative sources of supply to those from Russia.

Against a backdrop of supply frictions and scarcity of goods and services at a global level, the main Western monetary authorities have implemented restrictive measures.

The Federal Reserve Bank had started raising interest rates by 0.50% in March 2022, bringing the Fed Funds rate to 0.75%. It continued with regular rate hikes throughout the rest of the year, reaching an upper level of 4.75% in December. It continued along the same path in the early months of 2023.

The ECB began raising interest rates by 0.50% in July 2022 and continued with accelerated increases in subsequent meetings, bringing the refinancing rate to 2.5% by December. It maintained a restrictive stance even in the early meetings of 2023.

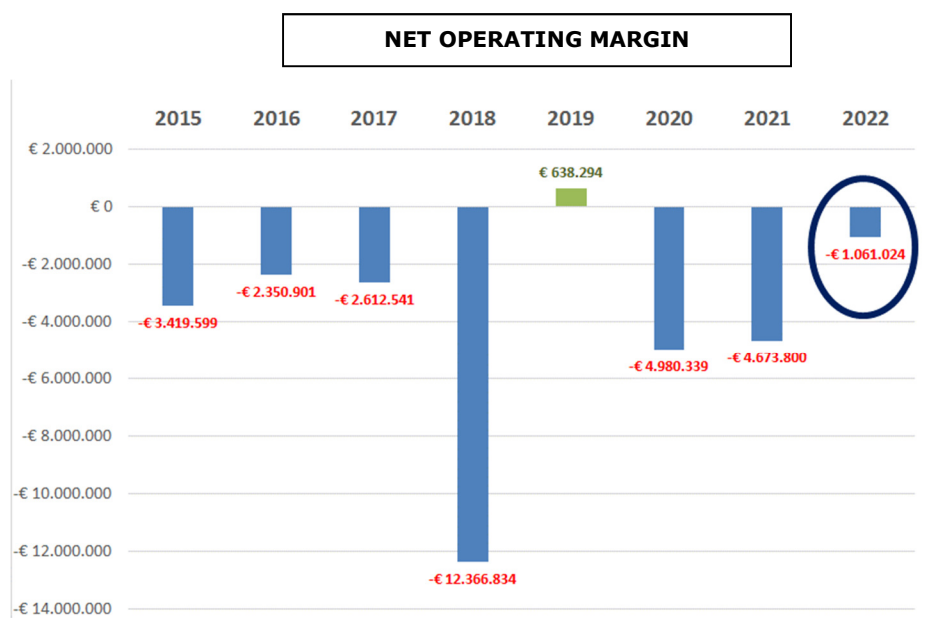
Central banks' hawkish monetary policy aimed at combating the increase in inflation, found a point of convergence, at least among the main monetary authorities of the major Western economies, at the Jackson Hole symposium in the United States during the last weekend of August 2022. Federal Reserve Chairman Jerome Powell reiterated a strong determination to combat inflation and bring the rate of price increases back to the target level of two percentage points through a restrictive monetary policy. Despite the various rate increases implemented by the US Central Bank until that date, the Chairman stated that the policy was still far from being completed.

Indeed, the restrictive monetary policy has been maintained in the early months of 2023 and may continue for most of the year.



The increase in net margins recorded in 2022 is not sufficient to ensure full coverage of operating expenses – namely, administrative expenses and adjustments of value on tangible and intangible fixed assets, amounting to EUR 10.03 million, of which personnel costs amount to EUR 7.03 million (+ 0.89 million compared to the previous year due to the cessation of the effects of the Solidarity Agreement signed for the three-year period 2019-2021).

Consequently, the **gross operating margin** stands at EUR -0.74 million (-4.32 million in 2021), which, after deducting provisions and net adjustments of value, results in a **net operating margin** of EUR -1.06 million, as shown in the following graph.



The **extraordinary operations** balance, amounting to EUR 32,776, shows a negative variation of EUR -5.91 million, mainly due to the presence of higher extraordinary revenues in 2021, as a result of the recovery of provisions made in previous years to the "fondo perdite partecipazioni" (losses from equity investments fund) following the sale of the participation in Banca Nazionale Sammarinese S.p.A. at nominal value, which took place in 2021.

The **final net operating income** stood at a negative EUR -1.03 million.

As explained above, the Governing Council decided to allocate an amount equal to the net operating income to the General Financial Risk Fund. The financial year therefore ended with a break-even result.

Lastly, with regard to "Guarantees and Commitments", it is to be noted that the guarantees issued have decreased compared to 2021, and there are no commitments to disburse funds – commitments amounted to EUR 10 million in 2021.

To gain further insights into the activities carried out by the Central Bank in the exercise of its institutional functions, reference is made to the Central Bank's Annual Report to the Great and General Council, under Article 4, Paragraph 2 of Law No. 96/2005 and subsequent amendments.

* * *

To conclude, the Central Bank's recent income dynamics confirm that the economic balance in the management can be achieved and consolidated as long as all costs incurred in providing services to the State, its institutions, the financial system, and the community are fully recovered.

Over the past few years, the governance of the Central Bank has been resolute in containing administrative expenses, finalizing a three-year solidarity agreement with employees to reduce costs, offsetting the cost of supervision through more effective methods of detection and transfer of burdens

onto the financial system, as well as implementing measures to safeguard the company's assets despite the strong instability of international markets. However, such interventions alone are not sufficient to achieve a balanced budget without full remuneration for the services rendered.

In the execution of the various institutional functions carried out by the Central Bank, an imbalance still exists between the "flat-rate" remuneration provided by the State, which, despite an increase compared to 2021 to cover the costs of the Financial Information Agency, does not fully compensate for the direct and indirect costs incurred for the production and delivery of services in the Collection, Treasury, and Payment System.

At the same time, the Central Bank, with a spirit of service, provides continuous support to the Secretaries of State and their respective Departments with its qualified resources in various emerging commitments on both the domestic and international fronts, providing consultations and participating in meetings where the presence of the supervisory authority is required. These are complex and delicate activities for which the necessary assistance will always be ensured, even though no compensation is expected, despite the costs incurred.

The Central Bank's financial autonomy, as also emphasized by international best practices, is an essential requirement to prevent operational constraints from weakening or hindering its actions, especially in view of the forthcoming Association Agreement with the European Union.

Therefore, the full coverage of structural costs, based on budgets and reports previously reviewed by the Government and the Great and General Council, becomes a goal to strive for, with the aspiration of achieving a robust and unanimous alignment of efforts.

Human Resources and Corporate Staff

As at 31 December 2022, there were 99 employees on the payroll, including the staff assigned to the Financial Intelligence Agency, which amounted to 16 employees. During the year, there were 3 terminations (1 of which in the AIF) and 7 temporary hires (3 of which in the AIF) to replace absent or departed personnel.

The average actual resources present were 82.58, of which 13.53 were in the AIF.

Staff resources and actually present personnel

| Unit to which the personnel belongs | Staff on the payroll | Personnel actually present on a yearly basis |
|--|----------------------|--|
| Deputy Director and staff organisational units | 35.00 | 26.92 |
| Supervision Department - statutory function | 26.00 | 22.17 |
| Payment System Department - statutory function | 5.00 | 4.62 |
| Overdue Tax Collection Department - statutory function | 9.00 | 8.28 |
| Treasury Department - statutory function | 6.00 | 5.05 |
| Finance Department - relevant function | 2.00 | 2.00 |
| Financial Intelligence Agency | 16.00 | 13.53 |
| Total employees | 99.00 | 82.58 |
| Ongoing consultancies: Acting Deputy Director and External Inspector | - | 1.50 |

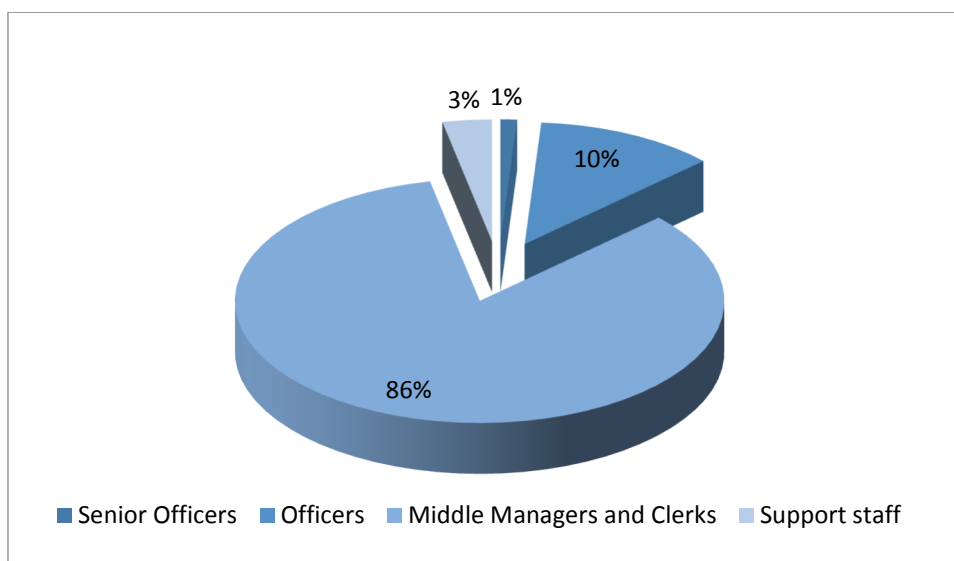
Female employees represented 52% of the workforce and held one-third of the leadership positions.

84.85% of the workforce was over the age of 40, with an average age of approximately 48 years. Such data shows the need for generational turnover, a commitment that the Bank has taken on as a priority for the coming years.



With regard to the contractual categories, 1.01% of the employees belong to the category of Senior Officers, 10.10% to that of Officers, 85.86% are Middle Managers and Clerks and 3.03% are Support Staff.

Contractual categories



During the course of the year, there have been personnel changes and new appointments in the Bank's management team.

Mr. Andrea Vivoli emerged as the successful candidate in the selection process for the position of Managing Director and, in accordance with Article 12, paragraph 2, letter h) of the Central Bank's Statute, he was appointed Vice Director on June 1st, 2022. Subsequently, starting from July 1st, 2022, he assumed the role of Acting Managing Director taking over from Mr. Giuseppe Ucci, whose collaboration with the Bank ceased as at the same date.

The role of Vice Director of the Central Bank is held by Mr. Daniele Bernardi. The Financial Information Agency is led by Mr. Nicola Muccioli as the Director and Mr. Alessandro Sberlati as the Vice Director.

On July 1st, 2022, Mr. Fabio Mazza was appointed Vice Head of the Supervision Department and member of the Supervision Committee. Starting from the same date, the Committee has been composed of the Acting Vice Director, who presides over it, and four Internal Inspectors.

It is worth noting that, according to Delegated Decree of December 17, 2018, no. 168 and subsequent amendments, as well as Central Bank Regulation no. 2022-02, the members of the Management Body of the Extraordinary Fund for the Protection against Financial Fraud have been appointed. The Fund's Presidency was initially entrusted to Mr. Giuseppe Ucci and, starting from July 1st, 2022, to the Bank's Vice President, Mr. Francesco Mancini.

The training sessions were conducted almost exclusively online. They followed the same line as those carried out last year and the average annual hours per employee were approximately 15. Notably, the "Training Path for Corporate Leaders and Top Executives of LISF Authorized Entities," was organised by the San Marino Banking Association between 2021 and 2022, in which Central Bank and AIF employees also participated as speakers.

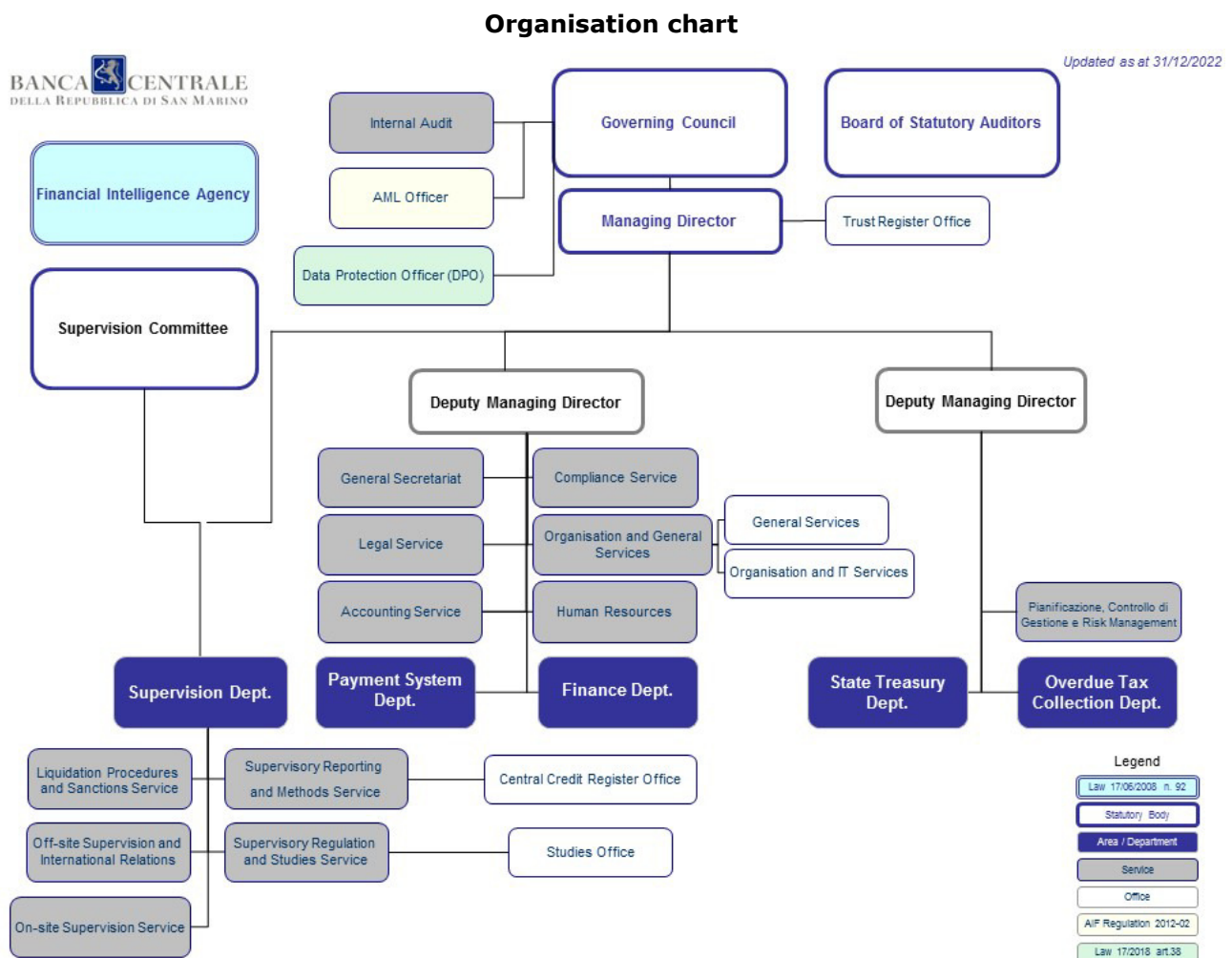
Despite the end of the health emergency, as declared by Decree no. 72 of April 28, 2022, and in consideration of the persisting infections in the territory, the Central Bank established a set of general preventive measures aimed to safeguard the employees' health in the Bank's premises and the activity of the Bank as a whole. At the same time, a variety of specific prevention protocols have been introduced to be followed according to the epidemic's progression.

Throughout 2022, the rationalization of operating expenses continued, and various measures were implemented concerning personnel costs. Some of these interventions also allowed for a better balance between personal and company needs. Approximately 18% of employees were granted the conversion of full-time contracts to part-time contracts, and the requests for periods of leave were always approved. Additionally, a mechanism for budgeting overtime was introduced to improve its management efficiency. Such interventions were also brought to the negotiations table with the unions during the renewal of the Bank's Employment Contracts, which began in the early months of 2023.

Organisational chart

The Bank's organizational structure did not undergo significant changes during 2022, compared to last year. However, decisions were made around staff functions in order to strengthen internal processes. Specifically:

- the supervisory activity's profile and methods were strengthened.
- the processes in the Overdue Tax Collection Department were adjusted to comply with recent legal provisions.
- the Overdue Tax Collection Department and its operational capabilities were enhanced.
- administrative activities were strengthened.

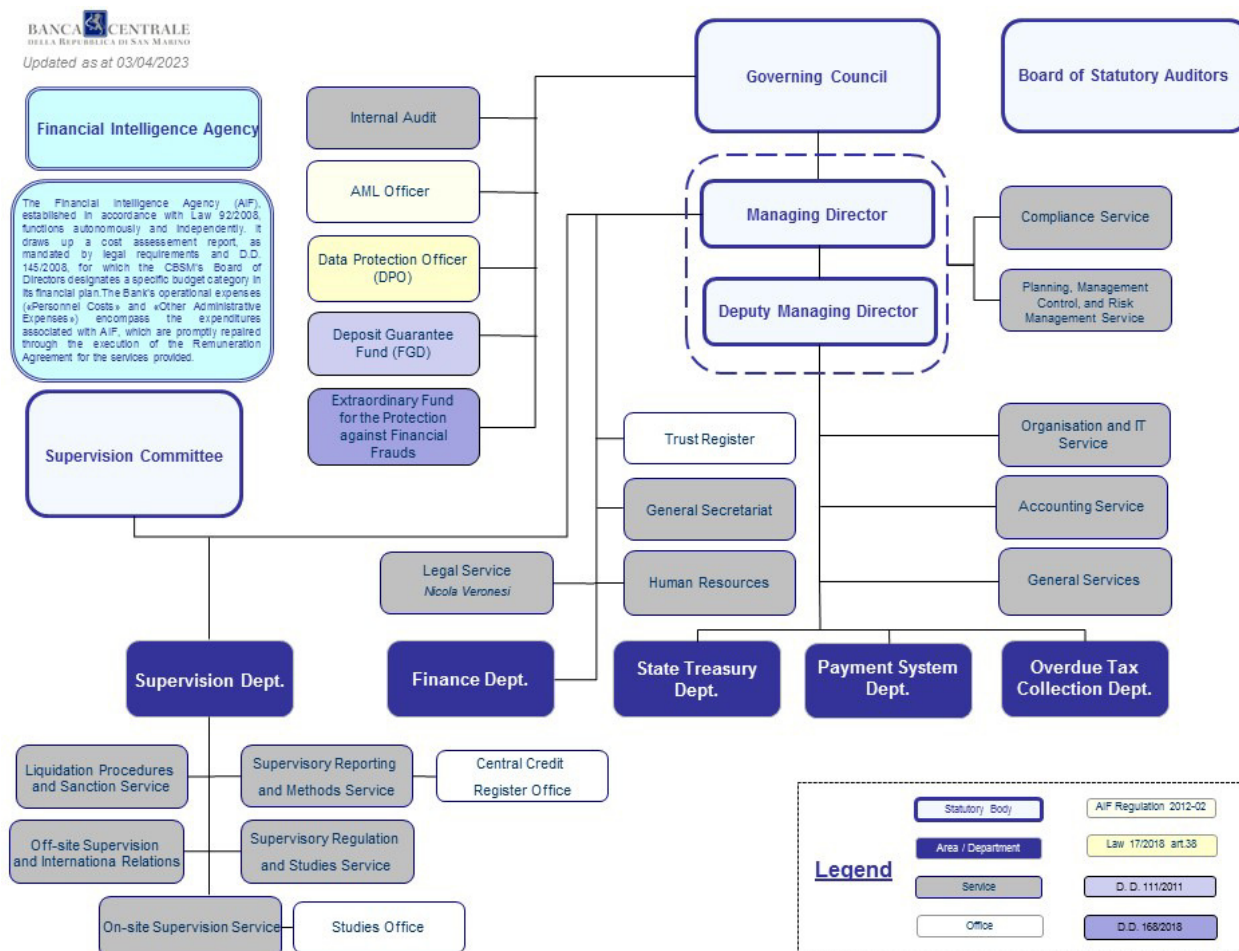


Significant events which occurred after the closure of the financial year

By Decree no. 3 dated January 17th, 2023, the Great and General Council expressed its approval for the appointment of Mr. Andrea Vivoli as the Managing Director of the Central Bank. Following a successful probationary period, Mr. Vivoli officially assumed the position of Managing Director of CBSM starting from March 1st, 2023.

As a result of the Managing Director's appointment, the Bank's Organizational Chart has been revised to better define the reporting lines of the organizational units, in consideration of the renewed Managing Directorate, since two Vice Directors are no longer in charge simultaneously.

Organisation chart



In accordance with the provisions of Article 2 of Law no. 94 of June 24th 2022 extended by Article 4, paragraph 24, of Law no. 171 at December 23, 2022, the Congress of State, by Decree no. 11 of March 13, 2023, resolved to purchase 125 shares of the Central Bank of the Republic of San Marino held by the Asset Management Company, former BNS S.p.A.

Foreseeable management evolution

Due to the new activities and commitments arising from the general evolution of San Marino's international agreements, the Bank will be demanded to strengthen its resources. Nevertheless, the Bank continues its efforts to control costs and strive for maximum efficiency.



Financial management, focused on seeking the best integrated management conditions of assets and liabilities, will remain characterized by low overall risk.

Dear Shareholders,

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

| | EUR |
|-----------------------------|-------------------|
| Endowment Fund | 12,911,425 |
| Ordinary Reserve Fund | 1,274,013 |
| Statutory Reserve Fund | 9,627,277 |
| General Financial Risk Fund | 32,769,227 |
| Other Equity Reserves | 0 |
| Total Net Equity | 56,581,942 |

Dear Shareholders,

The Governing Council's report on operations for financial year 2022 was read out to you.

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

Heartfelt thanks are extended to the Directorate General and all staff for their valuable contributions to the Bank's endeavours, as well as to the Board of Statutory Auditors for their support and participation in the Governing Council's 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, 3 May 2023





2022 Annual Accounts



Balance Sheet Assets

| Assets | 2022 | | 2021 | |
|---|-------------|--------------------|-------------|--------------------|
| 10. CASH BALANCE AND FUNDS AVAILABLE AT CENTRAL BANKS AND POST OFFICES | | 23,180,702 | | 21.704.725 |
| 20. TREASURY SECURITIES AND OTHER FINANCIAL INSTRUMENTS ELIGIBLE FOR RE-FINANCING WITH CENTRAL BANKS | | 0 | | 0 |
| a) Treasury securities and similar financial instruments | 0 | | 0 | |
| b) other financial instruments eligible for re-financing with central banks | 0 | | 0 | |
| 30. LOANS TO CREDIT INSTITUTIONS | | 70,900,450 | | 372,400,162 |
| a) on demand | 70,900,450 | | 372,400,162 | |
| b) other loans | | | 0 | |
| 40. LOANS TO CUSTOMERS | | 21,931,451 | | 27,073,205 |
| a) on demand | 321,802 | | 292,644 | |
| b) other loans | 21,609,649 | | 26,780,561 | |
| 50. BONDS AND OTHER DEBT INSTRUMENTS | | 537,015,051 | | 408,621,050 |
| a) issued by public institutions | 62,229,770 | | 71,264,117 | |
| b) issued by credit institutions | 229,384,403 | | 163,515,902 | |
| c) issued by financial companies other than credit institutions | 197,500,311 | | 152,080,956 | |
| d) issued by other institutions | 47,900,567 | | 21,760,075 | |
| 60. SHARES, UNITS, AND OTHER EQUITY FINANCIAL INSTRUMENTS | | 7,275 | | 6,055 |
| 70. SHAREHOLDINGS | | 0 | | 0 |
| a) financial companies | 0 | | 0 | |
| b) non-financial companies | 0 | | 0 | |

| Assets | 2022 | | 2021 | |
|--|-----------|------------------|-----------|------------------|
| 80. SHAREHOLDINGS IN UNDERTAKINGS OF THE GROUP | | 0 | | 0 |
| a) financial companies | 0 | | 0 | |
| b) non-financial companies | 0 | | 0 | |
| 90. INTANGIBLE FIXED ASSETS | | 294,471 | | 237,441 |
| a) financial leasing, of which: | 0 | | 0 | |
| - assets under construction | 0 | | 0 | |
| b) assets pending financial leasing due to termination of leasing agreement, of which: | 0 | | 0 | |
| - due to breach by lessee | 0 | | 0 | |
| c) available assets from debt recovery, of which: | 0 | | 0 | |
| - available assets from claim repayment by settlement agreement | 0 | | 0 | |
| d) goodwill | 0 | | 0 | |
| e) start-up expenses | 0 | | 0 | |
| f) other intangible fixed assets | 294,471 | | 237,441 | |
| 100. TANGIBLE FIXED ASSETS | | 2,739,023 | | 2,927,049 |
| a) financial leasing, of which: | 0 | | 0 | |
| - assets under construction | 0 | | 0 | |
| b) assets pending financial leasing due to termination of leasing agreement, of which: | 0 | | 0 | |
| - due to breach by lessee | 0 | | 0 | |
| c) assets available from debt recovery, of which: | 0 | | 0 | |
| - assets available from claim repayment by settlement agreement | 0 | | 0 | |
| d) lands and buildings | 2,649,940 | | 2,839,086 | |
| e) other tangible fixed assets | 89,083 | | 87,963 | |
| 110. SUBSCRIBED UNPAID CAPITAL, of which: | | 0 | | 0 |
| - called-up capital | 0 | | 0 | |
| 120. OWN SHARES OR UNITS | | 0 | | 0 |



| Assets | 2022 | | 2021 | |
|--|---------|--------------------|---------|--------------------|
| 130. OTHER ASSETS | | 3,959,036 | | 3,808,202 |
| 140. ACCRUED REVENUES AND DEFERRED EXPENSES | | 113,115 | | 122,759 |
| a) accrued revenues | 0 | | 0 | |
| b) deferred expenses | 113,115 | | 122,759 | |
| 150. TOTAL ASSETS | | 660,140,574 | | 836,900,767 |

Balance Sheet Liabilities

| Liabilities | 2022 | | 2021 | |
|---|-------------|--------------------|-------------|--------------------|
| 10. LIABILITIES TO CREDIT INSTITUTIONS | | 433,053,631 | | 560,981,062 |
| a) demand debts | 206,940,078 | | 466,231,845 | |
| b) term or notice debts | 226,113,553 | | 94,749,217 | |
| 20. LIABILITIES TO CUSTOMERS | | 160,067,899 | | 211,529,797 |
| a) demand debts | 149,921,806 | | 211,529,797 | |
| b) term or notice debts | 10,146,093 | | 0 | |
| 30. DEBTS REPRESENTED BY FINANCIAL INSTRUMENTS | | 0 | | 0 |
| a) bonds | 0 | | 0 | |
| b) certificates of deposit | 0 | | 0 | |
| c) other financial instruments | 0 | | 0 | |
| 40. OTHER LIABILITIES, of which: | | 9,191,948 | | 5,466,082 |
| - outstanding cheques and other securities | 989,571 | | 287,485 | |
| 50. ACCRUED EXPENSES AND DEFERRED REVENUES | | 0 | | 1,520 |
| a) accrued expenses | 0 | | 0 | |
| b) deferred revenues | 0 | | 1,520 | |
| 60. STAFF SEVERANCE PAYMENTS | | 511,855 | | 459,958 |

| Liabilities | 2022 | | 2021 | |
|--|-----------|--------------------|-----------|--------------------|
| 70. RISK AND CONTINGENCY FUNDS | | 733,299 | | 852,158 |
| a) retirement funds and similar provisions | 0 | | 0 | |
| b) tax fund | 0 | | 0 | |
| c) other funds | 733,299 | | 852,158 | |
| 80. CREDIT RISK FUND | | 0 | | 0 |
| 90. GENERAL FINANCIAL RISK FUND | | 32,769,227 | | 33,797,475 |
| 100. SUBORDINATED LIABILITIES | | 0 | | 0 |
| 110. SUBSCRIBED CAPITAL | | 12,911,425 | | 12,911,425 |
| 120. ISSUE PREMIUMS | | 0 | | 0 |
| 130. RESERVES | | 10,901,290 | | 10,901,290 |
| 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 | |
| 140. REVALUATION RESERVE | | 0 | | 0 |
| 150. PROFITS (LOSSES) CARRIED FORWARD | | 0 | | 0 |
| 160. PROFIT (LOSS) FOR THE FINANCIAL YEAR | | 0 | | 0 |
| 170. TOTAL LIABILITIES | | 660,140,574 | | 836,900,767 |



Guarantees and commitments

| | 2022 | 2021 |
|---------------------------------|----------------|-------------------|
| 10. GUARANTEES GRANTED | | |
| of which: | 550,000 | 2,104,748 |
| a) acceptances | 0 | 0 |
| b) other guarantees | 550,000 | 2,104,748 |
| 20. COMMITMENTS | 0 | 10,000,000 |
| of which: | | |
| a) for certain use, of which: | 0 | 0 |
| - financial instruments | 0 | 0 |
| b) for uncertain use, of which: | 0 | 10,000,000 |
| - financial instruments | 0 | 0 |
| c) other commitments | 0 | 0 |
| TOTAL | 550,000 | 12,104,748 |

Profit and loss account

| | 2022 | 2021 |
|--|-------------------|-------------------|
| 10. INTEREST INCOME AND SIMILAR PROCEEDS | 4,753,869 | -1,366,461 |
| a) on loans to credit institutions | -252,233 | -2,211,602 |
| b) on loans to customers | 321,727 | 265,300 |
| c) on debt securities | 4,684,375 | 579,841 |
| 20. INTEREST EXPENSE AND SIMILAR CHARGES | -1,558,873 | 255,118 |
| a) on debts with credit institutions | -995,842 | 261,124 |
| b) on debts with customers | -563,031 | -6,006 |
| c) on debts represented by securities, of which: | 0 | 0 |
| - on subordinated liabilities | 0 | 0 |
| 30. DIVIDENDS AND OTHER PROCEEDS | 0 | 0 |
| a) on shares, units, and other capital securities | 0 | 0 |
| b) on shareholdings | 0 | 0 |
| c) on shareholdings in undertakings of the group | 0 | 0 |
| 40. INCOME FROM COMMISSIONS | 2,251,327 | 2,271,336 |
| 50. EXPENSES FOR COMMISSIONS | -209,686 | -192,185 |
| 60. PROFITS (LOSSES) FROM FINANCIAL TRANSACTIONS | -54,369 | 935,387 |
| 70. OTHER OPERATING PROCEEDS | 4,380,920 | 3,028,263 |
| 80. OTHER OPERATING EXPENSES | -266,366 | -102,716 |
| 90. ADMINISTRATIVE COSTS | -9,717,239 | -8,815,779 |
| a) staff costs | -7,029,835 | -6,136,163 |
| of which: | | |
| - wages and salaries | -4,986,675 | -4,346,024 |
| - pension contributions | -1,325,737 | -1,153,244 |
| - staff severance payments | -516,611 | -450,267 |
| - retirement pay and similar expenses | 0 | 0 |
| - directors and statutory auditors | -198,189 | -182,500 |
| - other staff costs | -2,623 | -4,128 |
| b) other administrative costs | -2,687,404 | -2,679,616 |
| 100. VALUE ADJUSTMENTS OF INTANGIBLE FIXED ASSETS | -87,536 | -106,698 |
| 110. VALUE ADJUSTMENTS OF TANGIBLE FIXED ASSETS | -228,165 | -225,006 |
| 120. PROVISIONS TO RISK AND CONTINGENCY FUNDS | -312,160 | -342,250 |



| | 2022 | 2021 |
|--|-------------------|-------------------|
| 130. PROVISIONS TO CREDIT RISK FUNDS | 0 | 0 |
| 140. VALUE ADJUSTMENTS OF RECEIVABLES AND PROVISIONS FOR GUARANTEES AND COMMITMENTS | -13,466 | -25,310 |
| 150. VALUE RECOVERIES OF RECEIVABLES AND PROVISIONS FOR GUARANTEES AND COMMITMENTS | 720 | 12,501 |
| 160. VALUE ADJUSTMENTS OF FINANCIAL FIXED ASSETS | 0 | 0 |
| 170. VALUE RECOVERIES OF FINANCIAL FIXED ASSETS | 0 | 0 |
| 180. PROFIT (LOSS) FROM ORDINARY OPERATIONS | -1,061,024 | -4,673,800 |
| 190. EXTRAORDINARY PROCEEDS | 38,556 | 5,988,098 |
| 200. EXTRAORDINARY EXPENSES | -5,780 | -47,131 |
| 210. EXTRAORDINARY PROFIT (LOSS) | 32,774 | 5,940,967 |
| 220. INCOME TAXES FOR THE FINANCIAL YEAR | 0 | 0 |
| 230. VARIATION IN GENERAL FINANCIAL RISK FUND | 1,028,248 | -1,267,167 |
| 240. PROFIT (LOSS) FOR THE FINANCIAL YEAR | 0 | 0 |

Reclassified profit and loss account

| | 2022 | 2021 |
|---|--------------------|--------------------|
| 1 - Interest income and similar proceeds | 4,753,869 | -1,366,461 |
| 2 - Interest expense and similar expenses | -1,558,873 | 255,118 |
| A - Interest margin | 3,194,996 | -1,111,343 |
| 3 - Commission income | 2,251,327 | 2,271,336 |
| 4 - Commission expense | -209,686 | -192,185 |
| 5 - Other operating proceeds | 4,380,920 | 3,028,263 |
| 6 - Other operating expenses | -266,366 | -102,716 |
| B - Service revenues | 6,156,195 | 5,004,698 |
| 7 - Dividends and other proceeds | 0 | 0 |
| 8 - Profits (losses) from financial operations | -54,369 | 935,387 |
| C- Mediation margin (A+B+7+8) | 9,296,822 | 4,828,742 |
| 9 - Administrative expenses | -9,717,239 | -8,815,779 |
| 10 - Value adjustments on tangible and intangible fixed assets | -315,701 | -331,704 |
| D - Operating expenses | -10,032,940 | -9,147,483 |
| E - Gross operating profit (C-D) | -736,118 | -4,318,741 |
| 11 - Provisions for risks and contingencies | -312,160 | -342,250 |
| 12 - Provisions for credit risk funds | 0 | 0 |
| 13 - Value adjustments of loans and provisions for guarantees and commitments | -13,466 | -25,310 |
| 14 - Value recoveries of loans and provisions for guarantees and commitments | 720 | 12,501 |
| 15 - Value adjustments of financial fixed assets | 0 | 0 |
| 16 - Value adjustments and recoveries of financial fixed assets | 0 | 0 |
| F - Net operating profit | -1,061,024* | -4,673,800* |
| 17 - Extraordinary proceeds | 38,556 | 5,988,098 |
| 18 - Extraordinary expenses | -5,780 | -47,131 |
| G - Gross profit from extraordinary operations | 32,776 | 5,940,967 |
| H. Gross profit | -1,028,248 | 1,267,167 |
| 19 - Taxes on income for the financial year | 0 | 0 |
| I - Net profit* | -1,028,248 | 1,267,167 |
| 20 - Change in the general risk provision | 1,028,248 | -1,267,167 |
| Operating profit | 0 | 0 |



| | 2022 | 2021 |
|--|------|------|
|--|------|------|

* The representation of 'Net operating profit was modified in 2022. The data for 2021 was therefore recalculated to ensure comparability of the data

** Gross of change in the general risk provision.

Notes to the Annual Accounts



Notes to the Annual Accounts

Structure and Contents of the Annual Accounts

PART A - GENERAL PART

Section 1 - Valuation Criteria

Section 2 - Adjustments and Provisions

PART B - INFORMATION ON THE BALANCE SHEET

PART C - INFORMATION ON THE PROFIT AND LOSS ACCOUNT

PART D - OTHER INFORMATION

Structure and Contents of the Annual Accounts

The 2022 Annual Accounts are drawn up in compliance with the laws currently in force. The main relevant laws are Law No. 96 dated 29 June 2005 (Central Bank Statute), Law No. 165 dated 17 November 2005 (Law on Companies and Banking, Financial and Insurance Services), Law No. 47 dated 23 February 2006 (Company Law), and Article 4 of Delegated Decree No. 50 of March 21, 2023, and subsequent amendments and additions.

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

The Annual Accounts are drawn up in a clear manner. They serve as a truthful and accurate description of the assets and liabilities, the financial situation, and the economic profit for the financial year.

The Balance Sheet and the Profit and Loss Account are drawn up according to the statements defined by CBSM Regulation No. 2016/02. The Notes to the Annual Accounts is drawn up based on the provisions set out in the aforementioned Regulation, the CBSM Circular No. 2017/03 and, starting from financial year 2022, the provisions of Article 4 of Delegated Decree dated 21 March 2023, No. 50. The peculiarities inherent in the Central Bank's activities are also taken into account. Furthermore, the Statement of Cash Flows (Part D - Other information) are attached to the Notes to the Annual Accounts.

For easier data reference, the figures of the previous financial year are also included and reclassified, when necessary, to ensure data comparability between the two years.

Some of the items in the Notes to the Annual Accounts have been distinguished, depending on their denomination into "euro" and "foreign currency," with the latter category including all currencies other than the euro.

As for individual items in the Annual Accounts, they are presented in euros and obtained through either the rounding off of the decimals, or the sum of rounded amounts of sub-items. Any differences that may have arisen in this process have been classified, within the same Annual Accounts, as "other assets/liabilities" in the Balance Sheet and as "extraordinary income/expenses" in the Profit and Loss Account, in accordance with the general criteria for the Annual Accounts' preparation.

It should also be noted that the Notes to the Annual Accounts do not include detailed tables for items that do not have accounting implications in the two reference periods. Similarly, sections related to activities and/or circumstances that are not exercisable and/or applicable due to the aforementioned peculiarities have not been reported (Unfilled tables: 2.1-3.3-3.4-4.4-4.5-6.1-6.2-6.3-6.4-6.5-6.6-6.7-8.3-8.4-9.1-10.1-15.1-16.2-18.3-18.5-19.2-19.4-19.6-19.7-20.3-20.8-20.9-20.10-21.2-21.4-21.5-23.1-24.3-28.3-28.6-28.7-28.8-31.1-32.1-32.2-33.1-35.1-35.2-36.1-36.2-36.3-36.4-37.1).



• Section 1 - Valuation Criteria

The 2022 Annual Accounts have been prepared in accordance with the general principles of prudence, accrual, and going concern. Wherever possible, priority has been given 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

They are shown at their nominal value, which corresponds to their assumed salvage value.

LOANS

- **Loans to credit institutions** are shown at their nominal value, corresponding to their assumed salvage value. They also included the interest accrued and matured at the reporting date.
- **Loans to customers** are shown at their assumed realisable value, corresponding to their nominal value. They also included the interest accrued and matured at the reporting date.
- **Other loans** (held under "Other assets") are shown at their assumed salvage value, corresponding to their nominal value.

An exception applies to loans for the recovery of other charges, which are recorded at their assumed salvage value, corresponding to their nominal value net of any value adjustments, along with an increase in the bad debt reserve for the portion deemed unrecoverable.

BONDS AND OTHER DEBT FINANCIAL INSTRUMENTS

In accordance with Article 4 of Delegated Decree dated 21 March, 2023, no. 50, which allows the Central Bank, as part of the gradual adjustment to European Union regulatory standards, to adopt accounting principles and financial reporting similar to those provided by the legal framework for recognition and reporting in force within the European System of Central Banks as per Decision (EU) 2016/2247 and Guideline (EU) 2016/2249 of the European Central Bank and subsequent amendments and, based on the resolutions of the Governing Council dated January 17, 2023, and February 3, 2023, the valuation criteria for securities held in the portfolio have been changed as at the 2022 Annual Accounts.

As at December 31, 2022, there have been changes in the classification of debt instruments held by the Central Bank compared to December 31, 2021. Previously, the financial instruments were divided into an available-for-sale portfolio, valued to market value, and a held-to-maturity portfolio, which was recorded at its historical cost. However, as at December 31, 2022, two bond portfolios are established. The first is held for financial stability purposes and the second consists of the Bank's own funds to be held until maturity, which includes the Irredeemable Public Debt Securities of the State of San Marino, issued under the Decree-Law dated July 19, 2021, No. 133. Both portfolios are now valued using the new criterion of amortised cost. Amortised cost is defined as the value at which the financial asset was initially recognized, net of capital repayments, and subsequently increased or decreased by the cumulative amortization using the effective interest rate method on the difference between the initial value and the maturity value, subject to impairment and taking into account any lasting reductions in value. As per the aforementioned Delegated Decree, the tables below show the effects on the valuation of assets and liabilities resulting from the adoption of the new accounting principles, as well as the resulting changes in the Profit and Loss Account. For comparison purposes, the valuations of the securities portfolio with the previous valuation criteria at market price and historical cost have also been represented.

It was not possible to calculate retroactive effects (i.e., simulate the effects of the new regulations on the 2021 financial year) due to the recent legislation that allowed the new classification of the portfolio starting from the 2022 financial year. Any further simulation for previous years would not be possible.



For the aforementioned reasons, the following items have been compared:

- The values of the new equity portfolio and the stability-held securities portfolio resulting from the adoption of the new amortised cost criterion.
- The values of the held-to-maturity and available-for-sale portfolios as at December 31, 2022, as they would have resulted based on the previous valuation criteria (historical cost and market price). It is worth noting that in June 2022 (before the adoption of amortised cost), due to significant market volatility, part of the free portfolio was allocated to the held-to-maturity portfolio.

This comparison takes into account the informational limitations previously mentioned.

| PORTFOLIO – BALANCE SHEET | | | | |
|--|-------------|---|-------------|-------------|
| Book value as at 31/12/2022 | | Book value as at 31/12/2022 | | Fluctuation |
| Equity portfolio (based on amortised cost) | 76,373,845 | Held-to-maturity portfolio (based on cost criterion) | 268,162,311 | |
| Stability-held securities portfolio (based on amortised cost) | 460,641,206 | Available-for-sale portfolio (based on market price) | 253,932,985 | |
| Total | 537,015,051 | Total | 522,095,296 | 14,919,755 |
| PROFIT AND LOSS ACCOUNT | | | | |
| Book value as at 31/12/2022 (amortised cost) | | Book value as at 31/12/2022 (cost criterion and market price) | | Fluctuation |
| Profit/Loss from securities trading | -72,565 | Profit/Loss from trading freely negotiable securities. | -1,657,661 | |
| | | Capital losses on owned securities | -11,551,284 | |
| | | Capital gains on owned securities | 15,941 | |
| Interest income | 4,684,375 | Interest income on securities and issue discounts | 2,169,223 | |
| | | Interest income from trading discounts on non-negotiable securities | 715,836 | |
| Total | 4,611,810 | Total | -10,307,945 | 14,919,755 |

In the event that the bank had not adopted the new securities valuation criterion, it would have incurred a higher loss of €14.9 million for the year and a lower net equity of the same amount.

SHARES, UNITS, AND OTHER CAPITAL FINANCIAL INSTRUMENTS

Only one share (of limited amount) was accounted for, whose value was notified by the issuer as at 31 December 2022. The value to be referenced is the one contained in the notification, since no market price was provided.

In 2022, such equity security generated a capital gain, which has been accounted for under the item "profit and loss from financial operations, as in previous years.

INTANGIBLE FIXED ASSETS

The following assets were recorded at their purchase price, including any ancillary expenses, and were amortised according to the straight-line method on a yearly basis:

- 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, and subsequent amendments).
- Intangible fixed assets under construction, to which no amortisation has been applied.
- Other multi-year costs.

Multi-year costs were recorded in the Annual Accounts upon 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 were recorded at their purchase cost, including any ancillary expenses. No write-downs and/or revaluations were made during 2022.

The cost of fixed assets is amortised, taking into account the remaining service life of the assets, based on the percentages laid down by the current tax regulation (Law No. 166 of 16/12/2013, and subsequent amendments) that were deemed to reflect service life.

ACCRUED REVENUES AND EXPENSES / DEFERRED REVENUES AND 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 LIABILITIES

In this account, all the assets and liabilities that cannot be classified under other items of the assets and liabilities are recorded, including items in transit not assigned to relevant accounts.

Among other liabilities, this includes payment instruments 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 exchange rates reported by the European Central Bank's bulletin dated 30 December 2022.

The total amount of foreign currency-denominated assets and liabilities is, respectively, 454,476 EUR and 12,761 EUR.

DEBTS

They are recorded at their nominal value. Any accrued interest up to the closing date of the Annual Accounts is also included.

SEVERANCE PAYS



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

RISKS AND CONTINGENCY FUNDS

They are set up to cover certain or probable losses or debts, whose amount or date of occurrence could not be determined at the end of the financial year. In evaluating such 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 recorded in the Annual Accounts and included in the funds, as they were considered to be likely and a reasonable estimate was made around its respective charge.

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

GENERAL RISK PROVISION

The provision is intended to cover general business risk and, therefore, it is part of the equities. The balance of any modifications is recorded in a specific item of the Profit and loss account.

GUARANTEES AND COMMITMENTS

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

Commitments to disburse funds were recorded for the residual amount to be used.

INTEREST, COMMISSIONS, EXPENSES, AND PROCEEDS

Interest, commissions, expenses, and proceeds were accounted for on an accrual basis.

OFF-BALANCE-SHEET ACCOUNTS

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

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

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

Assets

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

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

| | 31/12/2022 | 31/12/2021 | Changes | |
|---|-------------------|-------------------|------------------|--------------|
| Cash balance and funds available at central banks and post offices: | | | Amount | % |
| Cash and available funds | 23,180,702 | 21,704,725 | 1,475,977 | 6.80% |
| Total | 23,180,702 | 21,704,725 | 1,475,977 | 6.80% |

The vault cash consisted of euro-denominated notes and coins totalling EUR 23,177,779, including cash available at the company used to discharge centralised cash management duties and cash on hand (EUR 87) maintained with the Single Court of San Marino for legal notification expenses. It also included foreign currencies for an equivalent of EUR 2,836.

2 Treasury bonds and other financial instruments eligible for re-financing purposes at central banks (item 20 of Assets)

Table 2.1: 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 San Marino's banks and are eligible for refinancing at this Central Bank.

3 Credits to credit institutions (item 30 of Assets)

Table 3.1: Breakdown of item 30 "Loans to credit institutions"

| | 31/12/2022 | | | 31/12/2021 | | | Change | |
|--|------------|---------------------|------------|-------------|---------------------|-------------|--------------|---------|
| | In EUR | In foreign currency | Total | In EUR | In foreign currency | Total | Total amount | % |
| Loans to credit institutions: | | | | | | | | |
| A) On demand: | 70,145,001 | 755,449 | 70,900,450 | 371,989,451 | 410,711 | 372,400,162 | -301,499,712 | -80.96% |
| A1. Mutual accounts opened for services rendered | 4,105,784 | 0 | 4,105,784 | 3,886,296 | 0 | 3,886,296 | 219,488 | 5.65% |
| A2. Current accounts with a credit balance | 66,039,217 | 755,449 | 66,794,666 | 368,103,155 | 410,711 | 368,513,866 | -301,719,200 | -81.87% |
| A3. Others | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| B) Other loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| B1. Term deposits | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| B2. Current accounts with a credit balance | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| B3. Repurchase agreements and repos | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0% |



| | | | | | | | | |
|--------------|-------------------|----------------|-------------------|--------------------|----------------|--------------------|---------------------|----------------|
| B4. Others | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| Total | 70,145,001 | 755,449 | 70,900,450 | 371,989,451 | 410,711 | 372,400,162 | -301,499,712 | -80.96% |

Loans to credit institutions as at 31 December 2022 registered an aggregate decrease of 80.96% compared to 31 December 2021, resulting from the decrease in "on demand credits - current account" with a credit balance of EUR 301.5 million.

On the funding side, the aforementioned decrease is mainly attributable to the drainage of liquidity from centralized accounts of San Marino banks, and partially, on the asset side, to internal choices regarding the allocation of liquidity in the held to maturity portfolio.

The Central Bank does not hold any shareholdings. Therefore, as at 31 December 2022, there are no existing credits to subsidiaries, associated companies, or companies linked to the Central Bank through a participating interest.

This item includes interest accrued and overdue at year end on demand loans to credit institutions, amounting to EUR 69,867.

The claims described in this section are not subordinate.

Table 3.2: Situation of loans to credit institutions

| Categories/Amounts | 31/12/2022 | | | 31/12/2021 | | |
|---|-------------------|-------------------------|-------------------|--------------------|-------------------------|--------------------|
| | 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 | 70,900,450 | 0 | 70,900,450 | 372,400,162 | 0 | 372,400,162 |
| Total | 70,900,450 | 0 | 70,900,450 | 372,400,162 | 0 | 372,400,162 |

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

No "non-performing loans to credit institutions" were recorded at 31 December 2022, nor at 31 December 2021.

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

No "value adjustments of loans to credit institutions" were recorded at 31 December 2022, nor at 31 December 2021.

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

| MATURITY | 31/12/2022 | 31/12/2021 |
|-----------------|------------|-------------|
| On demand | 70,900,450 | 372,400,678 |
| Up to 3 months | | 0 |
| 3 to 6 months | | -516 |
| 6 to 12 months | | 0 |
| 12 to 18 months | | 0 |
| 18 to 24 months | | 0 |



| | | |
|------------------|-------------------|--------------------|
| 2 to 5 years | | 0 |
| Over 5 years | | 0 |
| Without maturity | | 0 |
| Total | 70,900,450 | 372,400,162 |

As shown in table 3.5, as at 31 December 2022, loans to credit institutions are categorized by their residual life and are entirely due on demand.

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

4 Loans to customers (item 40 of Assets)

Table 4.1: Breakdown of "Loans to customers"

| | 31/12/2022 | | | 31/12/2021 | | | Changes | |
|--|-------------------|---------------------|-------------------|-------------------|---------------------|-------------------|-------------------|----------------|
| | In EUR | In foreign currency | Total | In EUR | In foreign currency | Total | Total amount | % |
| A) On demand/until revoked: | 321,802 | 0 | 321,802 | 292,644 | 0 | 292,644 | 29,158 | 9.96% |
| A1. Current accounts with a credit balance | 321,802 | 0 | 321,802 | 292,644 | 0 | 292,644 | 29,158 | 9.96% |
| A2. Others | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| B) Other loans: | 21,609,649 | 0 | 21,609,649 | 26,780,561 | 0 | 26,780,561 | -5,170,912 | -19.31% |
| B1. Current accounts with a credit balance | 17,648,061 | 0 | 17,648,061 | 22,500,000 | 0 | 22,500,000 | -4,851,939 | -21.56% |
| 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 | 3,961,588 | 0 | 3,961,588 | 4,280,561 | 0 | 4,280,561 | -318,973 | -7.45% |
| Total | 21,931,451 | 0 | 21,931,451 | 27,073,205 | 0 | 27,073,205 | -5,141,754 | -18.99% |

"Loans to customers" mainly include credits to the Public Administration and, to a lesser extent, loans to employees of the Central Bank itself. In particular, the sub-item "Other credits - current accounts with a credit balance" includes a loan to the Ecc.ma Camera for EUR 60 million, taken out in December 2012, with repayment starting from 30 November 2014 and expiring on 31 May 2020. On 26 November 2014, the maturity of said loan was extended to 30 June 2026, and consequently the repayment instalments were halved to EUR 2.5 million. The first instalment was cashed on 31 December 2014. At 31 December 2021, the residual credit is equal to EUR 17.5 million.

The sub-item "Other credits - other loans" includes the residual credit of EUR 1.6 million referring to an unsecured loan in which the Central Bank took over as creditor of the Ecc.ma Camera and the loans disbursed to the employees of the CBSM equal to EUR 2.36 million. As at 31 December 2022,



the item in question recorded a total increase of EUR 318,973 million, essentially attributable to the decrease in loans disbursed to employees, partially balanced by the increase in employee loans.

In relation to the latter, the Bank received mortgage guarantees from employees amounting to EUR 4,959,517 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 619,981, was held under "Other credits - current accounts" for EUR 148,061 and under "On demand credits - current accounts with a credit balance" for EUR 21,920.

The Central Bank did not hold any shareholdings in corporate customers. Therefore, as at 31 December 2022 there are no existing credits to subsidiaries and associated companies or companies linked by a participating interest. Likewise, no loans granted to the members of the administrative, management and control bodies were in place.

The credits described in this section are not subordinate.

Table 4.2: Secured loans to customers

| | 31/12/2022 | 31/12/2021 | Changes | |
|--|------------------|------------------|----------------|--------------|
| | | | Amount | % |
| A) From mortgages | 2,361,688 | 2,147,361 | 214,327 | 9.98% |
| B) From liens on: | 0 | 0 | 0 | 0% |
| 1. cash deposits | 0 | 0 | 0 | 0% |
| 2. securities | 0 | 0 | 0 | 0% |
| 3. other assets | 0 | 0 | 0 | 0% |
| C) From guarantees provided by: | 0 | 0 | 0 | 0% |
| 1. Public Administrations | 0 | 0 | 0 | 0% |
| 2. Monetary financial institutions | 0 | 0 | 0 | 0% |
| 3. Investment funds other than monetary mutual funds | 0 | 0 | 0 | 0% |
| 4. Other financial companies | 0 | 0 | 0 | 0% |
| 5. Insurance undertakings | 0 | 0 | 0 | 0% |
| 6. Pension funds | 0 | 0 | 0 | 0% |
| 7. Non-financial companies | 0 | 0 | 0 | 0% |
| 8. Households and not-for-profit institutions servicing households | 0 | 0 | 0 | 0% |
| - 8.1 Consumer and producer households | 0 | 0 | 0 | 0% |
| - 8.2 Not-for-profit institutions servicing households | 0 | 0 | 0 | 0% |
| 9. Others | 0 | 0 | 0 | 0% |
| Total | 2,361,688 | 2,147,361 | 214,327 | 9.98% |

Details above refer to mortgages granted to employees. They are sometimes extended against collaterals and personal guarantees. 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: Cash loans to customers

| Categories/Amounts | 31/12/2022 | | | 31/12/2021 | | |
|---|-------------------|-------------------------|-------------------|-------------------|-------------------------|-------------------|
| | 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 | 21,931,451 | 0 | 21,931,451 | 27,073,205 | 0 | 27,073,205 |
| Total | 21,931,451 | 0 | 21,931,451 | 27,073,205 | 0 | 27,073,205 |

Table 4.4: Trend in non-performing loans to customers

No "non-performing loans to customers" were accounted for as at 31 December 2022, nor as at 31 December 2021.

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 2022, nor as at 31 December 2021.

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

| MATURITY | 31/12/2022 | 31/12/2021 |
|------------------|-------------------|-------------------|
| On demand | 449,675 | 292,644 |
| Up to 3 months | 78,827 | 40,214 |
| 3 to 6 months | 2,537,286 | 2,540,252 |
| 6 to 12 months | 3,108,781 | 3,113,917 |
| 12 to 18 months | 2,576,709 | 2,580,769 |
| 18 to 24 months | 3,111,256 | 3,114,220 |
| 2 to 5 years | 8,499,227 | 14,047,011 |
| Over 5 years | 1,569,690 | 1,344,178 |
| Without maturity | 0 | 0 |
| Total | 21,931,451 | 27,073,205 |



The abovementioned loans are paid at a floating rate. It should be noted that the loan to the Ecc.ma Camera with a residual value of EUR 17.5 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 a credit line on a contractual point of view. 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) for each business sector

| | 31/12/2022 | 31/12/2021 |
|---|-------------------|-------------------|
| a) Public Administrations | 19,268,150 | 24,633,200 |
| 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 non-profit institutions serving households | 2,663,301 | 2,440,005 |
| - Consumer and producer households | 2,663,301 | 2,440,005 |
| - Non-profit institutions serving households | 0 | 0 |
| e) Others | 0 | 0 |
| Total | 21,931,451 | 27,073,205 |

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

Table 5.1: Breakdown of “Bonds”

| 31/12/2022 | | |
|--|-----------------------|--|
| Items/Amounts | Proprietary portfolio | Securities portfolio held for financial stability purposes |
| Bonds and other debt financial instruments: | 76,373,845 | 460,641,206 |
| - of which bonds and other subordinated debt instruments | 0 | 0 |
| - of which bonds and other debt financial instruments maturing in 2022 | 0 | 58,827,603 |
| a) issued by public institutions | 23,024,601 | 39,205,169 |
| b) issued by credit institutions | 5,995,083 | 223,389,320 |
| c) issued by financial companies other than credit institutions | 47,354,161 | 150,146,150 |
| d) issued by other institutions | 0 | 47,900,567 |
| Total: | 76,373,845 | 460,641,206 |
| - of which unavailable for reverse repurchase agreements | 13,438,311 | 89,251,370 |



As shown in the table above, there are two portfolios of bond instruments as at 31 December 2022: one held for financial stability purposes, and the other consists of proprietary funds to be held until maturity.

As shown in the previous Section 1 - "Valuation criteria for bonds and other financial instruments," from 2022 onwards, all securities are valued at amortised cost, taking into account any subsequent reductions in value that are deemed to be significant and long-lasting.

As at December 31, 2022, among the financial instruments of "public issuers" in the proprietary portfolio, CBSM received by the Ecc.ma Camera (State of San Marino) an Irredeemable Government Debt Security in exchange for the termination of BNS participation (Banca Nazionale di San Marino), as envisaged by Decree Law July 19, 2021, No. 133 (which ratified Decree Law June 25, 2021, No. 118). The termination took place on June 30, 2021.

Table 5.2: Breakdown of "Capital Financial Instruments"

| | 31/12/2022 | 31/12/2021 |
|--|--------------|--------------|
| Items/amounts | Book value | Book value |
| Shares, participations, and other equity financial instruments: | 7,275 | 6,055 |
| a) shares | 7,275 | 6,055 |

There is only one equity share (Swift) of insignificant amount. The value reported for such share is the one by the issuing company, since no market quotation is available.

Table 5.3: Breakdown of "Financial instruments held for financial stability purposes"

| | 31/12/2022 | 31/12/2021 |
|--------------------------------------|--------------------|--------------------|
| Items/Amounts | Book value | Book value |
| 1. Debt financial instruments | | |
| 1.1 Bonds | | |
| - listed | | |
| - unlisted | 460,641,206 | 389,616,260 |
| 1.2 Other debt financial instruments | | |
| - listed | | |
| - unlisted | | |
| 2. Equity financial instruments | | |
| - listed | | |
| - unlisted | | |
| Total | 460,641,206 | 389,616,260 |

The portfolio held for financial stability purposes includes unlisted securities and is valued based on the new amortised cost criterion, as previously stated in Part A - Section 1 of this Note.

The reported value as at 31 December 2021 corresponds to the fair value determined based on the market value registered on the last working day of the fiscal year by the appointed provider (see the 2021 Annual Accounts). This is because the value's prospective effect was not reassessed for the reasons highlighted in Section 1 - Valuation criteria.



Table 5.4: Annual changes in "Financial instruments held for financial stability"

| | 31/12/2022 |
|--|--------------------|
| | Opening balances |
| | 389,616,260 |
| Increases: | 378,624,736 |
| 1. Purchases | 374,616,661 |
| - of which: debt financial instruments | 374,616,661 |
| - of which: equity financial instruments | 0 |
| 2. Transfer from the proprietary portfolio | 0 |
| 3. Other changes | 4,008,075 |
| Decreases: | 307,599,790 |
| 1. Sales | 209,129,963 |
| - of which: debt financial instruments | 209,129,963 |
| - of which: equity financial instruments | 0 |
| 2. Refunds | 40,132,000 |
| 3. Value adjustments | 0 |
| - of which: permanent impairments | 0 |
| 4. Transfer to the proprietary portfolio | 56,766,836 |
| 5. Other changes | 1,570,992 |
| Final balances | 460,641,206 |

The values indicated in the opening balances of the table above correspond to the balance sheet values as at December 31, 2021, for the available-for-sale portfolio.

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

Increases - Purchases

includes:

- the operations of purchase at the current market price.

Increases - Other changes

includes:

- Trading gains totalling EUR 202,169

- Accrued interest income resulting from the amortised cost criterion, totalling EUR 2,206,958.

- Accrued interest accruals resulting from the amortised cost criterion as at December 31, 2022, totalling EUR 1,598,948.

Decreases - Sales and refunds

includes:

- Sales transactions at the current market price.

Decreases - Transfers to the proprietary portfolio

It refers to the transfer value of securities to the proprietary portfolio.

Decreases - Other changes

includes:

- Dividend amount of EUR 1,296,259 to adjust the amount of capitalised active interests resulting from the amortised cost criterion under the item "Increases - other changes."

- A loss from trading of securities of EUR 274,733.

As at December 31, 2022, the Central Bank does not hold any investments or financial instruments issued by controlled or affiliated companies, nor does it have any investments in companies with which it has a significant ownership interest.

Table 5.5: Breakdown of "Financial debt instruments held for financial stability classified according to remaining maturity"

| Residual duration of bonds | 31/12/2022 | |
|----------------------------|--------------------|-------------------|
| | Fixed rate | Floating rate |
| On demand | 0 | 0 |
| Up to 3 months | 2,561,052 | 9,527,712 |
| 3 to 6 months | 8,736,506 | 9,080,341 |
| 6 to 12 months | 25,902,635 | 3,019,357 |
| 12 to 18 months | 27,339,219 | 1,047,248 |
| 18 to 24 months | 53,105,480 | 4,385,511 |
| 2 to 5 years | 229,088,569 | 49,987,043 |
| Over 5 years | 26,679,066 | 10,181,467 |
| Without maturity | 0 | 0 |
| Total | 373,412,527 | 87,228,679 |

Table 5.6: Breakdown of "Financial instruments held in the proprietary portfolio"

| | 31/12/2022 | 31/12/2022 | 31/12/2021 | 31/12/2021 |
|--------------------------------------|-------------------|-------------------|-------------------|-------------------|
| | Purchase price | Book value | Purchase price | Book value |
| 1. Debt financial instruments | | | | |
| 1.1 Bonds | | | | |
| - listed | | | | |
| - unlisted | 75,771,626 | 76,373,845 | 19,000,000 | 19,004,790 |
| 1.2 Other debt financial instruments | | | | |
| - listed | | | | |
| - unlisted | | | | |
| 2. Equity financial instruments | | | | |
| - listed | | | | |
| - unlisted | | | | |
| Total | 75,771,626 | 76,373,845 | 19,000,000 | 19,004,790 |

The proprietary portfolio comprised securities not listed on regulated markets.

Table 5.7: Annual changes in Financial instruments held in the proprietary portfolio.

| | 31/12/2022 |
|-------------------------|-------------------|
| | 19,004,790 |
| Opening balances | |
| Increases: | 57,645,304 |
| 1. Purchases | 0 |



| | |
|--|-------------------|
| - of which: debt financial instruments | 0 |
| - of which: equity financial instruments | 0 |
| 2. Value adjustments | 0 |
| 3. Transfer from the financial stability portfolio | 56,766,836 |
| 4. Other changes | 878,469 |
| Decreases: | 276,249 |
| 1. Sales | 0 |
| - of which: debt financial instruments | 0 |
| - of which: capital financial instruments | 0 |
| 2. Refunds | 0 |
| 3. Value adjustments devaluations | 0 |
| - of which: permanent impairments | 0 |
| 4. Transfers to the financial stability portfolio | 0 |
| 5. Other changes | 276,249 |
| Final balances | 76,373,845 |

The values indicated in the opening balances of the table above correspond to the balance sheet values as at December 31, 2021, for the held to maturity portfolio.

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

Increases – Transfers from the financial stability portfolio

includes:

It refers to the carrying value of securities transferred from the portfolio held for the system's financial stability.

Increases – Other changes

includes:

- capitalised interest income arising from the amortised cost criterion in the amount of EUR 744,598.

- accrued interest income resulting from the amortised cost criterion as at 31/12/2022 in the amount of EUR 133,871.

Decreases – Other changes

refers to the dividend amount for the adjustment of the capitalised active interest resulting from the criterion of the amortised cost, as shown under 'Increases - other variations'."

The Central Bank does not hold any equity investments; therefore, as at December 31, 2022, there are no financial instruments issued by controlled or affiliated companies, or companies linked by a participating interest.

Table 5.8: Breakdown of "Debt financial instruments held for own funds" based on their residual duration.

| Residual duration of bonds | 31/12/2022 | |
|----------------------------|------------|---------------|
| | Fixed rate | Floating rate |
| On demand | 0 | 0 |
| Up to 3 months | 0 | 0 |
| 3 to 6 months | 0 | 0 |
| 6 to 12 months | 0 | 0 |
| 12 to 18 months | 0 | 0 |



| | | |
|------------------|-------------------|-------------------|
| 18 to 24 months | 0 | 0 |
| 2 to 5 years | 18,794,404 | 34,619,486 |
| Over 5 years | 0 | 3,955,178 |
| Without maturity | 19,004,777 | 0 |
| Total | 37,799,181 | 38,574,664 |

Table 5.9: Shares, participations, and other equity financial instruments.

| 31/12/2022 | |
|--|-------------------|
| Items/amounts | Book value |
| Shares, participations, and other equity financial instruments: | 7,275 |
| a) shares | 7,275 |
| Total | 7,275 |

The item '(Unquoted) Equity Financial Instruments' only includes the value of one share owned by Swift SCRL, gross of the recorded valuation gain of EUR 1,220.

6 Shareholdings (items 70 - 80 of Assets)

Table 6.1: Shareholdings including Shareholdings in undertakings of the group

No "Shareholdings including Shareholdings in undertakings of the group" are recorded as at 31 December 2022.

Table 6.2 Shareholdings (item 70)

No shareholdings are recorded as at 31/12/2022, nor at 31/12/2021.

Table 6.3 Shareholdings in undertakings of the group

No shareholdings in undertakings of the group are recorded as at 31/12/2022, nor at 31/12/2021.

Table 6.4 Annual changes in Shareholdings (item 70)

No shareholdings are recorded as at 31/12/2022, nor at 31/12/2021.

Table 6.5 Annual changes in Shareholdings in undertakings of the group (item 80)

No shareholdings in undertakings of the group are recorded as at 31/12/2022, nor at 31/12/2021.

Table 6.6 Assets and liabilities involving affiliated companies (item 70)

No assets and liabilities involving affiliated companies are recorded as at 31/12/2022, nor at 31/12/2021.

Table 6.7 Assets and liabilities involving undertakings of the group (item 80)

No assets and liabilities involving undertakings of the group are recorded as at 31/12/2022, nor at 31/12/2021.



7 Intangible fixed assets (item 90 of Assets)

Table 7.1: Description and movements in item 90 "Intangible fixed assets"

| Annual changes | 31/12/2022 | Financial leasing | Assets pending financial leasing for termination of leasing agreement | Assets available from debt recovery | Goodwill | Start-up expenses | Other intangible fixed assets |
|---------------------------------|----------------|-------------------|---|-------------------------------------|----------|-------------------|-------------------------------|
| A. Opening balances | 237,441 | 0 | 0 | 0 | 0 | 0 | 237,441 |
| B. Increases | 144,566 | 0 | 0 | 0 | 0 | 0 | 144,566 |
| B1. Purchases | 78,316 | 0 | 0 | 0 | 0 | 0 | 78,316 |
| 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 | 66.250 | 0 | 0 | 0 | 0 | 0 | 66.250 |
| C. Decreases | 87,536 | 0 | 0 | 0 | 0 | 0 | 87,536 |
| C1. Sales | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| C2. Value adjustments: | 87,536 | 0 | 0 | 0 | 0 | 0 | 87,536 |
| - of which amortisation | 87,536 | 0 | 0 | 0 | 0 | 0 | 87,536 |
| - 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 |
| D. Final balances | 294,471 | 0 | 0 | 0 | 0 | 0 | 294,471 |

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

Item B.1: Purchases

Refers to costs for the purchase of software programs.

Item B.4: Other increases



Refers to assets under construction.

Item C.2: Value adjustments

Refers to annual amortisation of EUR 87,536.

Table 7.2: Intangible fixed assets (item 90)

| Items/Amounts | 31/12/2022 | | | 31/12/2021 | | |
|--|------------------------------------|----------------|----------------|------------------------------------|----------------|----------------|
| | Purchase price/ Production cost | Book value | Fair value* | Purchase price/ Production cost | Book 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 | 504,178 | 294,471 | == | 613,290 | 237,441 | == |
| Total | 504,178 | 294,471 | == | 613,290 | 237,441 | == |

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



8 Tangible fixed assets (item 100 of Assets)

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

| Annual changes | 31/12/2022 | Financial leasing | Assets pending financial leasing for termination of leasing agreement | Assets available resulting from debt recovery | Lands and buildings | Other tangible fixed assets |
|---------------------------------|------------------|-------------------|---|---|---------------------|-----------------------------|
| A. Opening balances | 2,927,049 | 0 | 0 | 0 | 2,839,086 | 87,963 |
| B. Increases | 40,139 | 0 | 0 | 0 | 0 | 40,139 |
| B1. Purchases | 40,139 | 0 | 0 | 0 | 0 | 40,139 |
| 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 |
| C. Decreases | 228,165 | 0 | 0 | 0 | 189,146 | 39,019 |
| C1. Sales | 0 | 0 | 0 | 0 | 0 | 0 |
| C2. Value adjustments: | 228,165 | 0 | 0 | 0 | 189,145 | 39,019 |
| - of which depreciation | 228,165 | 0 | 0 | 0 | 189,145 | 39,019 |
| - 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 |
| D. Final balances | 2,739,023 | 0 | 0 | 0 | 2,649,940 | 89,083 |

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 17,758
- miscellaneous equipment for EUR 9,347
- systems and fittings totalling EUR 13,034

Table 8.2: Tangible fixed assets (item 100)

| | 31/12/2022 | | | 31/12/2021 | | |
|---|------------------------------------|------------------|------------------|------------------------------------|------------------|----------------|
| Items/Amounts | Purchase price/ Production cost | Book value | Fair value* | Purchase price/ Production cost | Book value | Fair value* |
| A. Financial leasing | 0 | 0 | 0 | 0 | 0 | 0 |
| - of which assets under construction | 0 | 0 | 0 | 0 | 0 | 0 |
| B. Assets pending financial leasing for termination of leasing agreement | 0 | 0 | 0 | 0 | 0 | 0 |
| - of which for breach of the lessee | 0 | 0 | 0 | 0 | 0 | 0 |
| C. Assets available resulting from debt recovery | 0 | 0 | 0 | 0 | 0 | 0 |
| - of which assets available for repayment of loan through a settlement agreement | 0 | 0 | 0 | 0 | 0 | 0 |
| D. Lands and buildings | 6,304,853 | 2,649,940 | 6,304,853 | 6,304,853 | 2,839,086 | == |
| E. Other tangible fixed assets | 791,597 | 89,083 | 791,597 | 751,459 | 87,963 | == |
| Total | 7,096,450 | 2,739,023 | 7,096,450 | 7,056,312 | 2,927,049 | == |

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

9 Unpaid subscribed capital (item 110 of Assets)

No portions of unpaid subscribed capital were reflected as at 31 December 2022, nor at 31 December 2021.

10 Transactions on own shares (item 120 of Assets)

No own shares were reflected either as at 31 December 2022 or 31 December 2021.



11 Other assets (item 130 of Assets)

Table 11.1: Breakdown of "Other assets" (item 130)

| | 31/12/2022 | 31/12/2021 |
|---------------------------|------------------|------------------|
| Other assets: | | |
| Security margins | 0 | 0 |
| Premiums paid for options | 0 | 0 |
| Others | 3,959,036 | 3,808,321 |
| Total | 3,959,036 | 3,808,321 |

"Other assets" include:

1. Credits for the recovery of sums levied from supervised parties for 2022, equal to EUR 2.51 million, which supervised parties are obliged to pay back to the Central Bank by 31 May 2023 (equal value as in 2021).
2. Credits 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 288,269 (in 2021 they stood at EUR 275,775), where deemed non recoverable, were fully written down, as was the case in the previous year.

Adjustments were made to amounts receivable for the recovery of sums levied from supervised parties in financial year 2022 (with payment due in May 2023) relating to entities already holding unpaid loans (nominal value EUR 12,433).

The write-downs made during the year 2022 amount to 13,466 euros, the write-backs amount to 720 euros, and the overall depreciation – which equalled 242,396 euros in 2021 – amounts to 253,242 euros. Write-offs of receivables due to cancellation of debtor companies amount to EUR 1,900.

3. Credits, amounting to EUR 132,284, relating to the recovery of costs incurred in 2022 in relation to the maintenance of the Central Credit Register (Circular No. 2015-02). In 2021, they amounted to EUR 142,751.
4. Entries to be settled in relation to the pre-authorised collection procedure, totalling EUR 0.25 million (EUR 0.34 million as at 31 December 2021).

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

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

| | 31/12/2022 | 31/12/2021 |
|-------------------------------|----------------|----------------|
| Accrued revenues | 0 | 0 |
| Deferred expenses: | 113,115 | 122,759 |
| - other deferred expenses | 87,304 | 84,575 |
| - long-term deferred expenses | 25,811 | 38,184 |
| Total | 113,115 | 122,759 |

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



Liabilities

13 Debts with credit institutions (item 10 of Liabilities)

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

| | 31/12/2022 | | | 31/12/2021 | | | Changes | |
|---|--------------------|---------------------|--------------------|--------------------|---------------------|--------------------|---------------------|----------------|
| | In EUR | In foreign currency | Total | In EUR | In foreign currency | Total | Total amount | % |
| A) On demand: | 206,940,078 | 0 | 206,940,078 | 466,231,845 | 0 | 466,231,845 | -259,291,767 | -55.61% |
| A1 Mutual accounts opened for services rendered | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| A2. Demand deposits | 206,940,078 | 0 | 206,940,078 | 466,231,845 | 0 | 466,231,845 | -259,291,767 | -55.61% |
| A3. Others | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| B) Term or notice debts | 226,113,553 | 0 | 226,113,553 | 94,749,217 | 0 | 94,749,217 | 131,364,336 | 138.64% |
| B1. Current accounts with a debit balance | 122,019,733 | 0 | 122,019,733 | 94,749,217 | 0 | 94,749,217 | 27,270,516 | 28.78% |
| B2. Term deposits | 25,079,739 | 0 | 25,079,739 | 0 | 0 | 0 | 25,079,739 | n.d. |
| B3. Repurchase agreements and reverse repos | 79,014,080 | 0 | 79,014,080 | 0 | 0 | 0 | 79,014,080 | n.d. |
| B4. Other loans | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0% |
| Total | 433,053,631 | 0 | 433,053,631 | 560,981,062 | 0 | 560,981,062 | -127,927,431 | -22.80% |

The accrued liabilities for interest accrued as at December 31, 2022, on term deposits, amounting to 79,739 euros, are included in the item "Term or notice debts – Term deposits."

With reference to the technical feature of the relationship, the item "Term or notice debts - current accounts with a debit balance" includes the amount of the Mandatory Reserve established by the banks and related to the maintenance period from December 15, 2022, to January 14, 2023, including the passive interest to be credited for EUR 161,518.

The item "Term or notice debts - Repurchase agreements and reverse repos" indicates the nominal value of the bond securities transferred as collateral to secure the liquidity received from counterparties (REPO - Repurchase Agreement operations) and includes the accrued liabilities related to the interests on these operations for EUR 143,472.

The collection from banks, despite the opening of new term deposits and the use of new instruments available to the bank (REPO), shows an overall decrease of 22.80% compared to December 31, 2021. Such decrease mainly affected demand deposits.

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

| MATURITY | 31/12/2022 | 31/12/2021 |
|-----------------|-------------|-------------|
| On demand | 206,940,078 | 466,231,845 |
| Up to 3 months | 104,093,819 | 0 |
| 3 to 6 months | 0 | 0 |
| 6 to 12 months | 0 | 0 |
| 12 to 18 months | 0 | 0 |
| 18 to 24 months | 0 | 0 |



| | | |
|------------------|--------------------|--------------------|
| 2 to 5 years | 0 | 0 |
| Over 5 years | 0 | 0 |
| Without maturity | 122,019,734 | 94,749,217 |
| | 433,053,631 | 560,981,062 |

It should be underlined that debts with credit institutions represented by deposits opened for the purposes of the mandatory reserve were categorised under "Without maturity", since the legal reserve requirement (ROB) persists over time, even though the individual deposit amounts may vary depending on the current maintenance period. The remuneration of these liabilities is at a variable rate.

The Central Bank does not hold any equity stakes. Therefore, as at December 31, 2022, it does not have any outstanding debts towards subsidiaries, affiliates, or companies with which it has a participation relationship.

14 Debts with customers (item 20 of Liabilities)

Table 14.1: Breakdown of "Debts with customers" (item 20)

| Debts with customers | 31/12/2022 | | | 31/12/2021 | | | Changes | |
|---|--------------------|---------------------|--------------------|--------------------|---------------------|--------------------|--------------------|----------------|
| | In EUR | In foreign currency | Total | In EUR | In foreign currency | Total | Total amount | % |
| A) On demand: | 149,921,136 | 670 | 149,921,806 | 211,529,172 | 625 | 211,529,797 | -61,607,991 | -29.12% |
| A1. Current accounts with a debit balance | 149,921,136 | 670 | 149,921,806 | 211,529,172 | 625 | 211,529,797 | -61,607,991 | -29.12% |
| 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: | 10,146,093 | 0 | 10,146,093 | 0 | 0 | 0 | 10,146,093 | n.d. |
| 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 | 10,146,093 | 0 | 10,146,093 | 0 | 0 | 0 | 10,146,093 | n.d. |
| B4. Other funds | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 160,067,229 | 670 | 160,067,899 | 211,529,172 | 625 | 211,529,797 | -51,461,898 | -24.33% |

At the end of 2022, accrued interest on current account relationships and amounts to be credited to customers, for EUR 500,668, is included under the item "On demand - Current account liabilities", while EUR 43,737 of accrued interest expenses deriving from term operations are included in the item Term or Notice - Term deposits and other liabilities.

With regard to the composition of such items, it should be clarified that the liabilities categorized as "on demand" are remunerated at a variable interest rate and mainly consist of funds collected from the Extended Public Administration. On the other hand, the liabilities categorized as "Repurchase agreements and reverse repos" (item B3) primarily include passive forward transactions with the

Deposit Guarantee Fund (item B.3) and to a lesser extent, those obtained from employees of the Central Bank.

The table shows that debts with customers decreased by EUR 51.46 million.

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

| MATURITY | 31/12/2022 | 31/12/2021 |
|------------------|--------------------|--------------------|
| On demand | 149,921,806 | 211,529,797 |
| Up to 3 months | 4,270,348 | 0 |
| 3 to 6 months | 2,974,203 | 0 |
| 6 to 12 months | 2,901,541 | 0 |
| 12 to 18 months | 0 | 0 |
| 18 to 24 months | 0 | 0 |
| 2 to 5 years | 0 | 0 |
| Over 5 years | 0 | 0 |
| Without maturity | 0 | 0 |
| Total | 160,067,899 | 211,529,797 |

The Central Bank does not hold any shareholdings in corporate customers. Therefore, as at December 31, 2022, it does not have any outstanding debts towards subsidiaries, affiliates, or companies with which it has a participation relationship.

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 2022, nor at 31 December 2021.

16 Other liabilities (item 40 of Liabilities)

Table 16.1: Breakdown of “Other liabilities” (item 40)

| | 31/12/2022 | 31/12/2021 |
|---|-------------------|-------------------|
| Other liabilities: | | |
| Security margins | 0 | 0 |
| Premiums received on options | 0 | 0 |
| Cheques in circulation and kindred papers | 989,571 | 287,485 |
| Others | 8,202,377 | 5,178,597 |
| Total | 9,191,948 | 5,466,082 |

As shown in the table above, the item “Other liabilities” includes cheques in circulation of EUR 989,571 corresponding to quittance and drawer’s cheques issued within the State Treasury Service.



The sub-item "Other" includes the following liabilities:

1. Sums available to third parties related to collections from the Treasury Service, which, due to processing times, are waiting to be credited to their respective current accounts, amount to approximately EUR 4.46 million. Additionally, there are outstanding items related to the pre-authorized collections procedure amounting to EUR 234,106 – as at December 31, 2021, they were approximately EUR 1.66 million and EUR 338,125, respectively.
2. The collected tax rolls awaiting transfer to the respective competent authorities amount to EUR 1.42 million and other suspended items related to the Tax Collection Service totaling EUR 182,985 – as at December 31, 2021, they were approximately EUR 1.08 million and EUR 137,615 respectively.
3. Debts for supplies and services amount to EUR 290,902 – 986,000 in 2021.
4. Existing debts related to labour costs, falling in the region of EUR 1.5 million (as at 31 December 2021, they stood at EUR 0.8 million approximately), including emoluments, social security and tax costs (including amounts related to the calculation of untaken holiday entitlement as at 31 December 2022) yet to be paid.

Breakdown of "Other liabilities based on residual life"

| MATURITY | 31/12/2022 | 31/12/2021 |
|------------------|------------------|------------------|
| On demand | 107,786 | 87,806 |
| Up to 3 months | 8,099,067 | 5,047,535 |
| 3 to 6 months | 677,475 | 59,662 |
| 6 to 12 months | 2,152 | 0 |
| 12 to 18 months | 0 | 0 |
| 18 to 24 months | 0 | 0 |
| 2 to 5 years | 0 | 0 |
| Over 5 years | 0 | 0 |
| Without maturity | 305,468 | 271,079 |
| Total | 9,191,948 | 5,466,082 |

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

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

| | 31/12/2022 | 31/12/2021 |
|-----------------------------|------------|--------------|
| Accrued expenses | 0 | 0 |
| Deferred revenues: | 0 | 1,520 |
| long-term deferred revenues | 0 | 1,520 |
| Total | 0 | 1,520 |



Table 18.1: Movements in "Severance pays" (item 60)

| | 31/12/2022 | 31/12/2021 |
|-------------------------|----------------|----------------|
| Opening balances | 459,958 | 453,601 |
| Increases | 511,855 | 452,987 |
| - provisions | 511,855 | 452,987 |
| - other changes | 0 | 0 |
| Decreases | 459,958 | 446,630 |
| - withdrawals | 459,958 | 446,630 |
| - other changes | 0 | 0 |
| Closing balance | 511,855 | 459,958 |

This item accounts for the indemnity in lieu of severance payments accrued during 2022 ("provisions") and the amount of staff severance payments relating to unused holiday leave from previous years. Under the "provisions", there is also an indication of the increase, which occurred in 2022, in the liability for the severance pay to be paid in relation to the accrued but unused vacation days.

The indemnity accrued in one year is paid to employees in the following year ("withdrawals"), within the deadlines set by current employment contracts.

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

| Breakdown: | 31/12/2022 | 31/12/2021 |
|--|----------------|----------------|
| Retirement funds and similar provisions | 0 | 0 |
| Tax funds | 0 | 0 |
| Other funds: | 733.299 | 852,158 |
| - fund for costs for extraordinary proceedings | 170.900 | 303,650 |
| - fund for legal proceedings | 562.399 | 548,508 |
| - fund for investment losses | 0 | 0 |
| - fund for miscellaneous costs | 0 | 0 |
| Total | 733,299 | 852,158 |

Table 18.3: Movements in the "Tax fund"

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

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

| | 31/12/2022 | 31/12/2021 |
|-------------------------|----------------|------------------|
| Opening balances | 852,158 | 6,750,690 |
| Increases | 312,160 | 342,250 |
| - provisions | 312,160 | 342,250 |
| - other changes | 0 | 0 |
| Decreases | 431,019 | 6,240,782 |
| - withdrawals | 417,080 | 304,601 |
| - other changes | 13,939 | 5,936,181 |
| Closing balance | 733,299 | 852,158 |

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

1. EUR 196,660 to the "Fund for legal proceedings". Its total amount – namely EUR 562,399 – was determined on the basis of the estimated costs, including legal expenses and lawyer's fee reimbursements, that may arise from proceedings pending before the Court.
2. EUR 115,500 to the "Fund for costs for extraordinary proceedings", designed to cover costs arising from proceedings pursuant to Title II of Part II of Law No. 165 dated 17 November 2005.

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

1. the withdrawal of the "Fund for legal proceedings" for EUR 168,830 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 13,939 (other changes).
2. the withdrawal of "Fund for extraordinary proceedings costs" of EUR 248,250 for the financial support provided to administrative compulsory liquidation procedures.

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

The Bank was definitively defeated in two administrative appeal cases (one in 2021 and the other in early 2022) that established the illegitimacy of the measures of extraordinary administration and administrative compulsory liquidation of Asset Banca (now under voluntary liquidation). In addition, two first-instance administrative appeals closely related to those described above are still pending. Within the item "fund for legal proceedings", the Bank has allocated, including through estimates, all the quantifiable charges related to the aforementioned disputes. Although the Bank has received some communications regarding claims for damages directly or indirectly related to the final outcome of the mentioned administrative judgments, potential compensatory actions are not currently quantifiable from an objective point of view, and consequently, the Bank has not made provisions for this purpose. Specifically, no detailed request for damages has been received so far from the shareholders of the company under liquidation. To provide further detail on the aforementioned, it is specified that the Bank has conducted a prospective assessment both of the likelihood of the condition being met upon which the existence of the constituent elements of potential liabilities depends, and, secondly, of the estimation process for a potential fund. The conclusion, especially with regard to this latter point, is that it is impossible to arrive at a reliable estimate of the amount. As the aforementioned prospective assessment revealed the absence of at least one of the two specified conditions – probability of loss occurrence and/or the possibility of a reliable estimation of the same – the potential liability did not lead to the recognition of a provision in the balance sheet. Instead, it resulted in a clear, accurate, objective description included in this accompanying note.

Table 18.5: Movements in "Credit Risk Fund" (item 80)

No provisions were made to the "Credit Risk Fund" either as at 31 December 2022 or 31 December 2021.

19 General Financial Risk Fund, 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 "General Financial Risk Fund"

| | 31/12/2022 | 31/12/2021 | Changes | |
|-------------------------------------|-------------------|-------------------|-------------------|---------------|
| | | | Amount | % |
| Opening balance | 33,797,475 | 32,530,308 | 1,267,167 | 3.90% |
| Contributions in the financial year | 0 | 1,267,167 | -1,267,167 | -100% |
| Withdrawals in the financial year | -1,028,248 | 0 | -1,028,248 | n.d. |
| Closing balance | 32,769,227 | 33,797,475 | -1,028,248 | -3.04% |

With the resolution adopted by the Governing Council on 6 April 2023, a provision of EUR 1.03 million was made to the General Financial Risk Fund, in order to cover the 2022 operating deficit.

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

The use of the General Financial Risks Fund for the purpose of containing losses must take place during the preparation of the Annual Accounts by the management body, before the recognition of the financial results. This fund is not subject to manipulation by the Shareholders' Assembly, unlike the legal and statutory reserves.

The General Financial Risk Fund is a component of the Bank's equity, like the other reserves mentioned above, to be used by the General Meeting of the Shareholders. As shown in Table 19.9 relating to "Changes in net equity in the last 4 years", the effect of allocating said fund is an increase in the balance sheet aggregate.

Table 19.2: Breakdown of "Subordinated debt" (item 100)

No "Subordinated debt" was recognised either as at 31 December 2022, nor at 31 December 2021.



Table 19.3: Breakdown of "Subscribed capital" (item 110)

| Type of shares | 31/12/2022 | | | 31/12/2021 | | | 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% |
| Totals | 2,500 | 5,164.57 | 12,911,425 | 2,500 | 5,164.57 | 12,911,425 | 0 | 0% |

As provided for in art. 20 of the Central Bank Statute, the "Endowment fund" is divided into nominative and indivisible shares of EUR 5,164.57 each.

The ownership of shares is divided as follows:

- 67% State of San Marino ("Eccellentissima Camera")
- 16% Cassa di Risparmio della Repubblica di San Marino S.p.A.
- 6% Banca di San Marino SpA
- 5% Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.
- 5% Banca Nazionale Sammarinese S.p.A. (now S.G.A., Società di Gestione degli Attivi, formerly BNS S.p.A. with sole shareholder)
- 1% Banca Sammarinese di Investimento S.p.A.

Table 19.4: Breakdown of "Share premium" (item 20)

No "Share premium" was recognised either as at 31 December 2022, nor at 31 December 2021.

Table 19.5: Breakdown of "Reserves" (item 130)

| | 31/12/2022 | 31/12/2021 | Changes | |
|------------------------------------|-------------------|-------------------|----------|-----------|
| | | | Amount | % |
| a) Ordinary or legal reserve | 1,274,013 | 1,274,013 | 0 | 0% |
| b) Reserve for own shares or units | 0 | 0 | 0 | 0% |
| c) Statutory reserves | 9,627,277 | 9,627,277 | 0 | 0% |
| d) Other reserves | 0 | 0 | 0 | 0% |
| Total | 10,901,290 | 10,901,290 | 0 | 0% |

Table 19.6: Breakdown of "Revaluation reserve" (item 140)

No "Revaluation reserve" was set aside either as at 31 December 2022, nor at 31 December 2021.

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

No "Profits/losses carried forward" were recognised either as at 31 December 2022, nor at 31 December 2021.

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

| | 31/12/2022 | 31/12/2021 | Changes | |
|--------------------------------|------------|------------|---------|----|
| | | | Amount | % |
| Operating profit (loss) | 0 | 0 | 0 | 0% |

The financial year ended with a break-even result due to the provision to the General Financial Risk Fund, as outlined earlier.

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

| | Subscribed capital | Ordinary or legal reserve | Statutory reserve | Operating results | General Financial Risk Fund | Total |
|--|--------------------|---------------------------|-------------------|-------------------|-----------------------------|------------|
| Balances as at 31 December 2019 | 12,911,425 | 1,274,013 | 9,627,277 | 0 | 37,486,594 | 61,299,309 |
| Balances as at 31 December 2020 | 12,911,425 | 1,274,013 | 9,627,277 | 0 | 32,530,308 | 56,343,023 |
| Balances as at 31 December 2021 | 12,911,425 | 1,274,013 | 9,627,277 | 0 | 33,797,475 | 57,610,190 |
| Balances as at 31 December 2022 | 12,911,425 | 1,274,013 | 9,627,277 | 0 | 32,769,227 | 56,581,942 |

Table 19.10: Breakdown of funding by business sector

| | 31/12/2022 | 31/12/2021 |
|---|-------------|-------------|
| a) Public Administrations | 133,981,136 | 186,740,213 |
| 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 | 836,207 | 38,127 |
| - of which parties cancelled from the Register of Authorised Entities | 0 | 0 |
| - Industry | 0 | 0 |
| - Construction | 0 | 0 |
| - Services | 836,207 | 38,127 |
| - Other non-financial companies | 0 | 0 |
| d) Households and not-for-profit institutions servicing households | 5,597,829 | 5,886,604 |
| - Consumer and producer households | 5,431,835 | 5,719,654 |



| | | |
|--|-----------|------------|
| - Not-for-profit institutions servicing households | 165,994 | 166,950 |
| e) Others | 8,840,913 | 18,864,853 |



Guarantees and Commitments

20 Guarantees and commitments

Table 20.1: Breakdown of "guarantees issued"

| | 31/12/2022 | 31/12/2021 | Changes | |
|--|------------------|------------------|-------------------|----------------|
| | | | Amount | % |
| A) Credit commitments of a commercial nature | 0 | 0 | 0 | 0% |
| B) Credit commitments of a financial nature | 550,000 | 2,104,748 | -1,554,748 | -73.87% |
| C) Assets pledged as guarantee | 0 | 0 | 0 | 0% |
| - for third party obligations | 0 | 0 | 0 | 0% |
| - for own obligations | 5,000,000 | 5,000,000 | 0 | 0% |
| Total | 5,550,000 | 7,104,748 | -1,554,748 | -21.88% |

The table shows a decrease in "guarantees issued," particularly in the category of "Credit commitments of a financial nature", due to the release of the surety granted, in the interest of the Ecc.ma Camera, as a guarantee for obligations assumed towards the Municipality of Rimini in the context of the Agreement for the design and construction of the "Fondovalle Road."

Furthermore, for the year 2022, assets amounting to EUR 5,000,000 have been identified as collateral for own obligations. These assets pertain to securities pledged as collateral for a credit line obtained from a financial institution.

Table 20.2: Breakdown of credit commitments

| | 31/12/2022 | 31/12/2021 | 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 | 550,000 | 2,104,748 | -1.554.748 | -73.87% |
| - B1. Acceptances | 0 | 0 | 0 | 0% |
| - B2. Sureties and bank guarantees | 550,000 | 2,104,748 | -1.554.748 | -73.87% |
| - B3. Strong comfort letters | 0 | 0 | 0 | 0% |
| - B4. Others | 0 | 0 | 0 | 0% |
| Total | 550,000 | 2,104,748 | -1,554,748 | -73.87% |

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 2022, nor at 31 December 2021.

Table 20.4: Situation of credit commitments to customers

| Categories/Amounts | 31/12/2022 | | | 31/12/2021 | | |
|--|----------------|-------------------------|----------------|------------------|-------------------------|------------------|
| | 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 | 550,000 | 0 | 550,000 | 2,104,748 | 0 | 2,104,748 |
| Total | 550,000 | 0 | 550,000 | 2,104,748 | 0 | 2,104,748 |

Breakdown of "guarantees issued" based on the residual life

| MATURITY | 31/12/2022 | 31/12/2021 |
|------------------|------------------|------------------|
| On demand | 0 | 0 |
| Up to 3 months | 550,000 | 550,000 |
| 3 to 6 months | 0 | 0 |
| 6 to 12 months | 0 | 0 |
| 12 to 18 months | 0 | 0 |
| 18 to 24 months | 0 | 0 |
| 2 to 5 years | 0 | 1,554,748 |
| Over 5 years | 0 | 0 |
| Without maturity | 5,000,000 | 5,000,000 |
| Total | 5,550,000 | 7,104,748 |

Table 20.5: Assets pledged as guarantee of own debts

| | |
|---|---|
| Liabilities: | Assets used as collateral |
| A) notice or term debts to financial institutions | A) bonds and other debt financial instruments |
| - term deposits | - book value: 5,172,294 |

The financial debt instrument in the table above is stated at the corresponding book value of the financial instrument, which is the amortised cost as at December 31, 2022. During the course of 2022, the credit line with a corresponding counterparty was utilized, as highlighted in the subsequent table.

Table 20.6: Margins available on credit lines

| | 31/12/2022 | 31/12/2021 |
|------------------------------|--------------------|--------------------|
| A) Central banks | 100,000,000 | 100,000,000 |
| B) Other credit institutions | 0 | 4,800,000 |
| C) Other financial companies | 0 | 0 |
| Total | 100,000,000 | 104,800,000 |

Since the 2021 fiscal year, the Central Bank of San Marino has obtained credit lines from the European Central Bank through the Bank of Italy and from other financial institutions, aimed at initiating financing operations. In December 2022, the European Central Bank decided to extend the precautionary liquidity line granted to the Central Bank until January 15, 2024, in light of the current uncertainty arising from the conflict in Ukraine and its related economic and financial repercussions on the global economy and financial markets.

Recently, the specific limit for disburseable credit related to one of the credit lines granted to the Central Bank by a commercial bank has not been defined; hence, this specific piece of information is not shown in the table.

The decrease in the category "Other financial institutions" is due to the use of the credit line through the establishment of a secured term deposit backed by a bond.

Table 20.7: Breakdown of "Spot commitments"

| | 31/12/2022 | 31/12/2021 | Changes | |
|--|------------|-------------------|--------------------|--------------|
| | | | Amount | % |
| A. Commitments to disburse funds for certain use | 0 | 0 | 0 | 0% |
| - of which commitments for loans to be disbursed | 0 | 0 | 0 | 0% |
| B. Commitments to exchange financial instruments for certain use | 0 | 0 | 0 | 0% |
| C. Commitments to disburse funds for uncertain use | 0 | 10,000,000 | -10,000,000 | -100% |
| - of which negative margins to be used on credit lines | 0 | 10,000,000 | -10,000,000 | -100% |
| - of which put options issued | 0 | 0 | 0 | 0% |
| D. Commitments to exchange financial instruments for uncertain use | 0 | 0 | 0 | 0% |
| E. Other commitments | 0 | 0 | 0 | 0% |
| Total | 0 | 10,000,000 | -10,000,000 | -100% |



On January 31, 2022, the credit line granted to customers in the previous financial year expired.

Table 20.8: Term commitments

No term commitments were in place as at 31 December 2022.

Table 20.9: Financial derivatives

No financial derivative contracts were in place as at 31 December 2022.

Breakdown of "Commitments" based on residual life

| MATURITY | 31/12/2022 | 31/12/2021 |
|------------------|------------|-------------------|
| On demand | 0 | 10,000,000 |
| Up to 3 months | 0 | 0 |
| 3 to 6 months | 0 | 0 |
| 6 to 12 months | 0 | 0 |
| 12 to 18 months | 0 | 0 |
| 18 to 24 months | 0 | 0 |
| 2 to 5 years | 0 | 0 |
| Over 5 years | 0 | 0 |
| Without maturity | 0 | 0 |
| Total | 0 | 10,000,000 |

Table 20.10: Credit derivatives contracts

No credit derivatives contracts were in place as at 31 December 2022.

Memorandum accounts

21 Memorandum accounts

Table 21.1: Memorandum accounts

| | 31/12/2022 | 31/12/2021 |
|--|----------------------|--------------------|
| 1) Asset management | 0 | 0 |
| 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 |
| 2) Financial instruments custody and management | 1,323,118,492 | 930,688,989 |
| a) Deposited third-party financial instruments | 786,096,166 | 541,312,030 |
| - of which debt securities issued by the Central Bank | | |
| - of which debt securities issued by other credit institutions of San Marino | | |
| - of which capital securities and other securities issued by the Central Bank | | |
| - of which third-party financial instruments deposited with third parties | 1,596,436 | 2,053,800 |
| b) Own financial instruments deposited with third parties | 537,022,326 | 389,376,959 |
| 3) Financial instruments, liquidity and other assets linked to activities as custodian bank | 170,539,775 | 145,851,993 |
| a) Liquidity | 294,485 | 68,830,997 |
| - of which liquidity deposited with the Central Bank | 294,485 | 68,830,997 |
| b) Debt securities | | |
| - of which debt securities issued by the Central Bank | | |
| - of which debt securities issued by other credit institutions of San Marino | | |
| c) Capital securities, CIS units, other financial instruments | | |
| - of which capital securities issued by the Central Bank | | |
| d) Other assets other than financial instruments and liquidity | 170,245,290 | 77,020,996 |

As for "2) Financial instruments custody and management - a) deposited third-party financial instruments", this item includes mostly instruments related to the bond issues of the State of San Marino "Ecc. Camera"), which are managed centrally by the Central Bank. This item increased by approximately EUR 245 million in 2022 due to new public debt issuances.

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



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

- The assets foreclosed by the Overdue Tax Collection Service of the Central Bank and deposited with third parties, pending their auction sale pursuant to Article 70 et seq. of Law No. 70 dated 25 May 2004, were recognised for a total amount of EUR 1,064,310. As at 31 December 2022, amounts due for collection totalled EUR 294,154,290, while guarantees received in relation to extensions granted by the Overdue Tax Collection Service stood at EUR 25,945,673.
- 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 10,081,775.
- Two Promissory Notes of EUR 47,237,564 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.

As for the "San Marino Investor Compensation Fund," established by Delegated Decree No. 148/2018, it is to be noted that the implementing regulations have not been issued yet. On the other hand, the "Extraordinary Fund for Protection against Financial Frauds," established by Delegated Decree No. 168/2018, began operating in March 2022 following the issuance of Delegated Decree No. 9/2022 and CBSM Regulation No. 2022-02.

The Extraordinary Fund was appointed by the Central Bank's Board of Directors and holds an account in its name at the Central Bank. This account is to be used exclusively for the transit of state funds, within the limits of the public financial ceiling allocated for this purpose, to cover the exact total amount of the checks to be issued to the compensation beneficiaries.

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

No operations were recorded either as at 31 December 2022, nor at 31 December 2021.

Table 21.3: Breakdown of indirect funding by business sector

| | 31/12/2022 | 31/12/2021 |
|---|-------------------|-------------------|
| a) Public Administrations | 1,428,627 | 2,025,024 |
| b) Financial companies: | 0 | 0 |
| - Monetary financial institutions | 0 | 0 |
| - Investment funds other than monetary mutual funds | 0 | 0 |
| - Other financial institutions | 0 | 0 |
| - Insurance undertakings | 0 | 0 |
| - Pension funds | 0 | 0 |
| c) Non-financial companies | 0 | 0 |
| - 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 | 296,539 | 287,006 |
| - Consumer and producer households | 296,539 | 287,006 |
| - Not-for-profit institutions servicing households | 0 | 0 |
| e) Others | 0 | 0 |

Part C - Information on the profit and loss account

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

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

| | 31/12/2022 | 31/12/2021 | 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: | -252,233 | -2,211,602 | 1,959,369 | 88.60% |
| B1. Current accounts with a credit balance | -192,815 | -1,027,277 | 834,462 | 81.23% |
| B2. Deposits | -59,418 | -1,184,325 | 1,124,907 | 94.98% |
| B3. Other loans | 0 | 0 | 0 | 0% |
| - of which on leasing transactions | 0 | 0 | 0 | 0% |
| C) On loans to customers: | 321,727 | 265,300 | 56,427 | 21.27% |
| C1. Current accounts with a credit balance | 240,696 | 191,620 | 49,076 | 25.61% |
| C2. Deposits | 0 | 0 | 0 | 0% |
| C3. Other loans | 81,031 | 73,680 | 7,351 | 9.98% |
| - of which on leasing transactions | 0 | 0 | 0 | 0% |
| D) On debt securities issued by credit institutions: | 1,867,206 | 379,822 | 1,487,384 | 391.60% |
| D1. Certificates of deposit | 0 | 0 | 0 | 0% |
| D2. Bonds | 1,867,206 | 379,822 | 1,487,384 | 391.60% |
| D3. Other financial instruments | 0 | 0 | 0 | 0% |
| E) On debt securities from customers (issued by other issuers): | 2,817,169 | 200,019 | 2,617,150 | 1,308.45% |
| E1. Bonds | 2,817,169 | 200,019 | 2,617,150 | 1,308.45% |
| E2. Other financial instruments | | 0 | 0 | 0% |
| Total | 4,753,869 | -1,366,461 | 6,120,330 | 447.90% |

In 2022, the item "Interest received" recorded an increase of EUR 6.1 million the rise in interest income from debt securities, due to the adoption of the new amortised cost criterion, as well as interest income from credits to financial institutions, following the general increase in interest rates starting from the second half of 2022.



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

| | 31/12/2022 | 31/12/2021 | Changes | |
|---|------------------|-----------------|------------------|----------------|
| | | | Amount | % |
| A) On debts with credit institutions | 995,842 | -261,124 | 1,256,966 | 481.37% |
| A1. Current accounts with a debit balance | 573,459 | -261,124 | 834,583 | 319.61% |
| A2. Deposits | 86,822 | 0 | 86,822 | n.d. |
| A3. Other debts | 335,561 | 0 | 335,561 | n.d. |
| B) On debts with customers | 563,031 | 6,006 | 557,025 | 9,274.48% |
| B1. Current accounts with a debit balance | 519,294 | 6,006 | 513,288 | 8,546.25% |
| B2. Deposits | 0 | 0 | 0 | 0% |
| B3. Other debts | 43,737 | 0 | 43,737 | n.d. |
| 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% |
| Total | 1,558,873 | -255,118 | 1,813,991 | 711.04% |

Table 22.2 shows a considerable rise in the interests paid in 2022, primarily affecting the category "on debts to financial institutions" (EUR 1.3 million) and to a lesser extent the category "on debts to customers" (EUR 0.6 million). These increases are mainly attributed to the impact of the change in interest rates applied to passive current account relationships. Starting from September 2022, positive interest rates were applied instead of negative interest rates, leading to these changes.

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

No "Dividends and other proceeds" were recorded either as at 31 December 2022, nor at 31 December 2021.

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

Table 24.1: Breakdown of item 40 "Commissions earned"

| | 31/12/2022 | 31/12/2021 | Changes | |
|---|------------------|------------------|----------------|--------------|
| | | | Amount | % |
| Commissions earned: | | | | |
| a) Guarantees issued | 3,683 | 3,683 | 0 | 0% |
| b) Credit derivatives | 0 | 0 | 0 | 0% |
| c) Advice on financial instruments | 0 | 0 | 0 | 0% |
| d) Collection and payment services | 1,566,728 | 1,586,772 | -20,044 | -1.26% |
| 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 | 673,681 | 35 | -0.01% |
| Total | 2,251,327 | 2,271,336 | -20,009 | 0.88% |

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

In this regard, it should be noted that, on 30 December 2022, the agreement for the remuneration of services to the Public Administration for the three-year period 2022/2024 was signed. The corresponding revenue for 2022, amounting to EUR 2,240,000, was collected during the fiscal year. The same commission allocation criterion as indicated by the Public Administration is also used for the year 2022.

The fees collected by the Central Bank for the services provided on behalf of Fondiss - the Supplementary Pension Fund of the Republic of San Marino - are instead included in the "Custodian Bank Services" section.

Table 24.2: Breakdown of item 50 "Commissions paid"

| | 31/12/2022 | 31/12/2021 | Changes | |
|---|----------------|----------------|---------------|--------------|
| | | | Amount | % |
| Commissions paid: | | | | |
| a) Guarantees received | 0 | 0 | 0 | 0% |
| b) Credit derivatives | 0 | 0 | 0 | 0% |
| c) Financial instruments custody and management | 72,334 | 60,598 | 11,736 | 19.37% |
| - own portfolio | 69,087 | 57,598 | 11,489 | 19.95% |
| - third-party portfolio | 3,247 | 3,000 | 247 | 8.23% |
| d) Collection and payment services | 86,891 | 83,646 | 3,245 | 3.88% |
| e) Other services | 50,461 | 47,941 | 2,520 | 5.26% |
| Total | 209,686 | 192,185 | 17,501 | 9.11% |

Commissions relating to "Collection and payment services" include charges incurred in relation to the POS service provided to the Public Administration totalling EUR 77,941, 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 31/12/2022 | | | | |
|--|---------------------------------------|-------------------------------|---------------------------------|--------------------|
| Items/Transactions | Transactions on financial instruments | Foreign currency transactions | Transactions on precious metals | Other transactions |
| A1. Revaluations | 1,220 | 0 | 0 | 0 |
| A2. Devaluations | 0 | 0 | 0 | 0 |
| B. Other profits/losses | -72,565 | 16,976 | 0 | 0 |
| Total | -71,345 | 16,976 | 0 | 0 |
| 1. Government bonds | 92,365 | | | |
| 2. Other debt financial instruments | -164,930 | | | |
| 3. Capital financial instruments | 1,220 | | | |
| 4. Derivative contracts on financial instruments | 0 | | | |
| Total | -71,345 | 16,976 | | |

Item A.1: revaluations

This item accounts for the capital gain value of each single share in the company Swift SCRL.

Item B.: other profits/losses

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

In 2022, the item "Profit (loss) on financial transactions" shows a balance of EUR -54,369, mainly stemming from the following:

1. Securities management resulted in a negative balance of EUR -71,345, whereas as at 31 December 2021 the realised balance was positive, amounting to EUR 1.92 million, and had led to a negative balance between capital gains and losses arising from the valuation as at December 31, 2021, of EUR -1 million.
2. in 2021 there was a profit on foreign currency valuation/trading of EUR 16,976 (in 2021 a loss of EUR 24,933 was recorded).

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

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

| | 31/12/2022 | 31/12/2021 | Changes | |
|--|------------|------------|---------|-------|
| | | | Amount | % |
| Other operating proceeds: | | | | |
| a) Rents received | 3,500 | 3,500 | 0 | 0% |
| b) Recovery of sums levied from supervised parties | 2,509,428 | 2,509,428 | 0 | 0% |
| c) Credit notes, allowances and positive rounding-off of figures | 86 | 83 | 3 | 3.61% |



| | | | | |
|---|------------------|------------------|------------------|----------------|
| d) Proceeds from Overdue Tax Collection Service | 50,490 | 63,642 | -13,152 | -20.67% |
| e) Recovery of costs for Central Credit Register | 133,804 | 168,877 | -35,073 | -20.77% |
| f) Recovery Cash Procurement Service expenses | 190,671 | 169,275 | 21,396 | 12.64% |
| g) Annual maintenance costs of the RIS for SEPA payment instruments | 18,108 | 18,134 | -26 | -0.14% |
| h) Recovery of POS-related expenses | 76,799 | 74,548 | 2,251 | 3.02% |
| i) Recovery of AIF-related expenses | 1,381,485 | 0 | 1,381,485 | n.d. |
| l) Miscellaneous proceeds | 16,549 | 20,776 | -4,227 | -20.35% |
| Total | 4,380,920 | 3,028,263 | 1,352,657 | 44.67% |
| Other operating expenses: | | | Amount | % |
| a) Expenses related to the centralised management of cash | 117,491 | 100,755 | 16,736 | 16.61% |
| b) Allowances and various rounding-off of figures | 29 | 53 | -24 | -45.28% |
| c) Costs for extraordinary proceedings on supervised entities | 147,750 | 0 | 147,750 | n.d. |
| d) Miscellaneous costs | 1,096 | 1,908 | -812 | -42.56% |
| Total | 266,366 | 102,716 | 163,650 | 159.32% |

The item "Other operating proceeds" includes, as the most significant economic component, the reimbursement of 2022 charges related to the exercise of supervision over credit, financial, and insurance activities, partially debited as decided by the Governing Council.

"Recovery of costs for Central Credit Register" refers to the recognition of the recovery of costs pertaining to financial year 2022 carried out by the Central Bank pursuant to Circular No. 2015-02.

"Recovery Cash Procurement Service expenses" refers to the recoveries made in 2022 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 2022 for the POS service provided to them.

"Recovery of AIF-related expenses" refers to the recovery of costs incurred by the Financial Information Agency for the year 2022, as included in the agreement signed between CBSM and the Public Administration for the compensation of rendered services.

Other operating expenses include "Recovery of sums levied from supervised parties".

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

Table 27.1: Number of employees by category and labour costs

| | Average as at 31 December 2022 | Labour costs as at 31 December 2022 | Headcount as at 31 December 2022 | Average as at 31 December 2021 | Labour costs as at 31 December 2021 | Headcount as at 31 December 2021 |
|--------------------|---------------------------------------|--|---|---------------------------------------|--|---|
| a) Senior Officers | 1.00 | 143,828 | 1 | 1.00 | 125,422 | 1 |
| b) Managers | 10.50 | 1,400,715 | 10 | 11.00 | 1,213,026 | 11 |
| c) Other staff | 85.00 | 5,284,480 | 88 | 81.58 | 4,611,087 | 83 |
| 1. front office | 82.00 | 5,170,359 | 85 | 78.58 | 4,517,144 | 80 |



| | | | | | | |
|-------------------------------------|--------------|------------------|-----------|--------------|------------------|-----------|
| managers/clerks 2. support staff | 3.00 | 114,121 | 3 | 3.00 | 93,943 | 3 |
| Total | 96.50 | 6,829,023 | 99 | 93.58 | 5,949,535 | 95 |

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

| | 31/12/2022 | 31/12/2021 | Changes | |
|---|------------------|------------------|--------------|--------------|
| | | | Amount | % |
| Other administrative costs: | | | | |
| Remuneration to the Audit firm | 19,320 | 19,320 | 0 | 0% |
| - of which: for services other than the auditing of the Annual Accounts | 0 | 0 | 0 | 0% |
| Graphic art work and advertising | 1,438 | 9,130 | -7,692 | -84.25% |
| Insurance premiums | 489,643 | 487,746 | 1,897 | 0.39% |
| Miscellaneous utilities and cleaning of premises | 124,965 | 116,005 | 8,960 | 7.72% |
| Forms, stationery and newspapers | 12,902 | 17,980 | -5,078 | -28.24% |
| Postage and telephone | 102,254 | 110,993 | -8,739 | -7.87% |
| Consumables and spare parts | 6,444 | 7,207 | -763 | -10.59% |
| Professional consultancy fees | 375,540 | 350,735 | 24,805 | 7.07% |
| Reimbursement of travel costs | 8,888 | 13,977 | -5,089 | -36.41% |
| Travel | 13,370 | 9,884 | 3,486 | 35.27% |
| Rentals, technical assistance, repairs and various services | 1,386,299 | 1,368,681 | 17,618 | 1.29% |
| Association memberships and similar fees | 9,523 | 10,923 | -1,400 | -12.82% |
| Rents paid | 81,088 | 84,428 | -3,340 | -3.96% |
| Import taxes | 386 | 1,145 | -759 | -66.29% |
| Translations | 7,079 | 9,411 | -2,332 | -24.78% |
| Miscellaneous transport | 19,508 | 13,772 | 5,736 | 41.65% |
| Miscellaneous and other expenses | 28,757 | 48,279 | -19,522 | -40.44% |
| Total | 2,687,404 | 2,679,616 | 7,788 | 0.29% |

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

Table 27.3: Remuneration

| | 31/12/2022 | 31/12/2021 | Changes | |
|--------------------|----------------|----------------|---------------|--------------|
| | | | Amount | % |
| Directors | 157,389 | 144,025 | 13,364 | 9.28% |
| Statutory Auditors | 40,800 | 38,475 | 2,325 | 6.04% |
| Management | 256,160 | 231,161 | 24,999 | 10.81% |
| Total | 454,349 | 413,661 | 40,688 | 9.84% |



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

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

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

| | 31/12/2022 | 31/12/2021 | Changes | |
|--|----------------|----------------|----------------|---------------|
| | | | Amount | % |
| a) Intangible fixed assets | 87,536 | 106,698 | -19,162 | -17.96% |
| - Software | 86,303 | 102,565 | -16,262 | -15.86% |
| - multi-year costs | 0 | 0 | 0 | 0% |
| - multi-year costs on third-party assets | 1,233 | 4,133 | -2,900 | -70.17% |
| b) Tangible fixed assets | 228,165 | 225,006 | 3,159 | 1.40% |
| - real property | 189,146 | 189,146 | 0 | 0% |
| - systems and fittings | 9,450 | 8,242 | 1,208 | 14.66% |
| - other tangible fixed assets | 29,569 | 27,618 | 1,951 | 7.06% |
| Total | 315,701 | 331,704 | -16,003 | -4.82% |

Table 28.2: Breakdown of item 120 "Provisions to risk and contingency funds"

| | 31/12/2022 | 31/12/2021 | Changes | |
|---|----------------|----------------|----------------|----------------|
| | | | Amount | % |
| a) Retirement funds | 0 | 0 | 0 | 0% |
| b) Tax funds | 0 | 0 | 0 | 0% |
| c) Other funds: | 312,160 | 342,250 | -30,090 | -8.79% |
| <i>of which: fund for legal proceedings</i> | <i>196,660</i> | <i>255,600</i> | <i>-58,940</i> | <i>-23.06%</i> |
| <i>of which: fund for costs for extraordinary proceedings</i> | <i>115,500</i> | <i>86,650</i> | <i>28,850</i> | <i>33.29%</i> |
| <i>of which: fund for losses on subsidiaries</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0%</i> |
| <i>of which: fund for miscellaneous costs</i> | <i>0</i> | <i>0</i> | <i>0</i> | <i>0%</i> |
| Total | 312,160 | 342,250 | -30,090 | -8.79% |

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

1. Fund for legal proceedings (EUR 196,660) in view of the estimated costs, including legal costs and reimbursements of legal costs, that could arise from Court proceedings which were initiated during 2022 or in previous years, and that are still in progress.
2. Fund for costs for extraordinary proceedings (EUR 115,500) in view of the financial support to be provided in respect of administrative compulsory winding-up procedures.

Table 28.3: Item 130 "Provisions for loan losses"

No provisions were allocated to the Credit Risk Fund in 2022 and 2021.



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

| | 31/12/2022 | 31/12/2021 | Changes | |
|--|---------------|---------------|----------------|----------------|
| | | | Amount | % |
| a) Value adjustments on credits | 13,466 | 25,310 | -11,844 | -46.80% |
| b) Provisions for guarantees and commitments | 0 | 0 | 0 | 0% |
| Total | 13,466 | 25,310 | -11,844 | -46.80% |

The item in question includes value adjustments made to credits in 2022 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 2022 and 2021.

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

| | 31/12/2022 | 31/12/2021 | Changes | |
|------------------|------------|---------------|----------------|----------------|
| | | | Amount | % |
| Value recoveries | 720 | 12,501 | -11,781 | -94.24% |
| Total | 720 | 12,501 | -11,781 | -94.24% |

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 off.

No value recoveries on credits either with clients or banks were accounted for in 2022 and 2021.

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

No value adjustments on financial fixed assets were made in 2021 and 2022.

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

No value recoveries on financial fixed assets were made in 2021 and 2022.

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 expenses"

| | 31/12/2022 | 31/12/2021 | Changes | |
|--------------------------------------|---------------|------------------|-------------------|----------------|
| | | | Amount | % |
| Extraordinary proceeds | | | | |
| a) Windfall proceeds | 23,698 | 110 | 23,588 | 21,443.64% |
| b) Contingent assets | 14,856 | 5,987,986 | -5,973,130 | -99.75% |
| c) Rounding offs in Euro (EUR) units | 2 | 2 | 0 | 0% |
| Total | 38,556 | 5,988,098 | -5,949,542 | -99.36% |
| Extraordinary expenses | | | | |

| | | | | |
|--------------------------------------|--------------|---------------|----------------|----------------|
| a) Windfall expenses | 4,919 | 45,192 | -40,273 | -89.12% |
| b) Contingent liabilities | 861 | 1,939 | -1,078 | -55.60% |
| c) Capital losses | 0 | 0 | 0 | 0% |
| d) Other extraordinary costs | 0 | 0 | 0 | 0% |
| e) Rounding offs in Euro (EUR) units | 0 | 0 | 0 | 0% |
| Total | 5,780 | 47,131 | -41,351 | -87.74% |

The significant increase in "Windfall proceeds" is primarily due to operating expenses paid to a supervised entity over the previous years, which were recovered upon the closure of the controlled administrative liquidation. On the other hand, the substantial decrease in the "Contingent assets" item is largely linked to the sale of the participation in Banca Nazionale Sammarinese S.p.A. at nominal value, which occurred in 2021 and resulted in an extraordinary gain of EUR 5,770,081.

30 Change in the General Financial Risk Fund (Item 230 of the profit and loss account)

Table 30.1: Breakdown of item 230 "Change in the General Financial Risk Fund"

| | 31/12/2022 | 31/12/2021 | Changes | |
|---|------------------|-------------------|------------------|----------------|
| | | | Amount | % |
| Change in the General Financial Risk Fund | 1,028,248 | -1,267,167 | 2,295,415 | 181.15% |
| Total | 1,028,248 | -1,267,167 | 2,295,415 | 181.15% |

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



31 Statement of Cash Flows

| Generated and collected funds | 2022 | 2021 |
|--|--------------------|--------------------|
| Funds generated from operations | | |
| Operating loss | 0 | 0 |
| Provisions for risks and charges | 312,160 | 342,250 |
| Provisions to the fund for general banking risks | 0 | 1,267,167 |
| Value adjustments on fixed assets | 315,701 | 331,704 |
| | 627,861 | 1,941,121 |
| Increase in funds collected: | | |
| Other liabilities | 3,725,866 | 912,118 |
| Debts with credit institutions | 0 | 136,475,747 |
| Debts with customers | 0 | 0 |
| Debts represented by financial instruments | 0 | 0 |
| Provisions for staff retirement allowances | 511,855 | 452,987 |
| Other changes | 0 | 0 |
| Accrued expenses and deferred revenues | 0 | 0 |
| | 4,237,721 | 137,840,852 |
| Decrease in funds used | | |
| Other assets | 0 | 0 |
| Shares, participations and other capital financial instruments | 0 | 0 |
| Cash and available funds | 0 | 0 |
| Intangible fixed assets | 0 | 5,460 |
| Tangible fixed assets | 0 | 0 |
| Accrued revenues and deferred expenses | 9,644 | 0 |
| Inter-bank loans | 301,499,712 | 0 |
| Bonds and other debt financial instruments | 0 | 0 |
| Loans to customers | 5,141,754 | 60,062,951 |
| Shareholdings | 0 | 19,000,000 |
| | 306,651,110 | 79,068,411 |
| Total generated and collected funds | 311,516,692 | 218,850,384 |

| Funds used and spent | 2022 | 2021 |
|---|--------------------|--------------------|
| Value recoveries and use of funds generated from operations: | | |
| Value recoveries (on "other funds") | 431,020 | 6,240,782 |
| Utilisation of other funds | 1,028,248 | 0 |
| Dividends paid out | 0 | 0 |
| Other reserves (unavailable reserves) | 0 | 0 |
| | 1,459,268 | 6,240,782 |
| Increase in funds spent: | | |
| Other assets | 150,715 | 417,360 |
| Other changes | 0 | 0 |
| Cash and available funds | 1,475,977 | 5,885,479 |
| Loans to credit institutions | 0 | 18,243,580 |
| Loans to customers | 0 | 0 |
| Intangible fixed assets | 144,566 | 134,414 |
| Tangible fixed assets | 40,138 | 35,824 |
| Shares, participations and other capital financial instruments | 1,220 | 350 |
| Bonds and other debt financial instruments | 128,394,001 | 142,200,396 |
| Shareholdings | 0 | 0 |
| Accrued revenues and deferred expenses | 0 | 8,235 |
| | 130,206,615 | 166,925,638 |
| Decrease in funds collected: | | |
| Other liabilities | 0 | 0 |
| Debts with banks | 127,927,431 | 0 |
| Debts with customers | 51,461,898 | 45,211,207 |
| Use of staff retirement allowances | 459,958 | 446,631 |
| Debts represented by financial instruments | 0 | 0 |
| Accrued expenses and deferred revenues | 1,520 | 26,126 |
| | 179,850,807 | 45,683,964 |
| Total funds used and spent | 311,516,692 | 218,850,384 |



Board of Statutory Auditors' Report on the Statement of operations for financial year 2022



BOARD OF STATUTORY AUDITORS' REPORT ON THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2022

Dear Shareholders,

The draft Annual Accounts as at 31 December 2022, which the Governing Council of Banca Centrale della Repubblica di San Marino S.p.A. (hereinafter also referred to as "Bank" or "Supervisory Authority"), submits for your approval, were drawn up in compliance with current regulatory provisions, specifically, in accordance with Law No. 96 of June 29, 2005 (Statute of the Central Bank of the Republic of San Marino), Law No. 165 of November 17, 2005, and Law No. 47 of February 23, 2006, as well as under Article 4 of Delegated Decree No. 50 of March 21, 2003, and subsequent amendments and additions.

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

The Balance Sheet and the Profit and Loss Account were prepared according to the standards defined by CBSM through Regulation No. 2016/02. The Notes to the Annual Accounts were prepared based on the provisions set out in the aforementioned Regulation, CBSM Circular No. 2017/03, and, starting from 2022, Article 4 of the Delegated Decree no.50 of 21 March 2023. In preparing such documents, the unique characteristics of the Central Bank's business were taken into consideration.

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

In order to aid in the analysis of the various items, the figures of the previous financial year were also included, reclassified, where necessary, for the purpose of ensuring the comparability of the data of the two financial years.

The draft Annual Accounts were approved by the Governing Council during today's meeting (3 May 2023) and were simultaneously shared with the Board of Statutory Auditors. As a result, the undersigned acknowledges waiving the deadline stipulated in Article 83, paragraph 1 of Law No. 47 dated 23 February 2006 (Company Law).



While the administrative body is accountable for their formulation, our responsibility lies in exercising professional judgment grounded in our audit and supervisory endeavors.

We evaluated the suitability of the accounting standards applied and the rationality of the accounting projections devised by the directors. The Annual Accounts for the year 2022 were formulated adhering to the fundamental principles of caution, accrual-based accounting, and the continuity of business operations.

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

Throughout the year ending on 31 December 2022, we oversaw adherence to legal requirements, the Statute, and Internal Regulations of the Central Bank, while also ensuring the observance of principles governing sound governance.

The chosen accounting standards and the methodology adopted to determine the profit (loss) for the year are detailed in the Notes to the Annual Accounts. This is further elucidated through a breakdown of income components within the Profit and Loss Account. The Balance Sheet serves as a dependable reflection of the company's financial standing.

The quantitative representation of operational occurrences, as statically reflected in the Annual Accounts, is appropriately revealed in the mandated Report on Operations as stipulated by the Statute. Following a comprehensive review, the Board confirms its alignment with the Annual Accounts.

This report adheres to the legal obligation that mandates statutory auditors to carry out their duties with the requisite professionalism and diligence commensurate with the nature of their role. They bear responsibility for the accuracy of their declarations and must maintain confidentiality regarding the facts and documents they become privy to through their official capacity.

At the same time, this report serves as a useful tool for exchanging information with the Shareholders' Meeting regarding the overall performance of the company's activities and the administration and control systems in place.



The substantive legitimacy assessment carried out by the Council aimed at ensuring adherence not only to regulations safeguarding the Bank's interests but also those of stakeholders, whose input is vital for accomplishing a defined objective of the Bank. This undertaking goes beyond a mere external validation, signifying more than a confirmation of formal legal compliance. However, this review does not encompass evaluations made by the Governing Council, as the administrative body, regarding matters of feasibility, cost-effectiveness, and prudent management.

Through this annual report, the statutory auditors duly present to the Shareholders' Meeting their findings derived from the conducted control activities. This encompasses both the outcomes of the fiscal year and the results of the pertinent audit concerning the conformity of the Annual Accounts. This report equips the Shareholders' Meeting with a valuable resource for appraising the operational report, enabling them to formulate an informed viewpoint on it.

The transcribed minutes as at December 31, 2022 did not reveal any noteworthy events requiring inclusion in this Report, nor did they indicate any instances of legal violations and/or objections necessitating notification to judicial authorities or the Financial Intelligence Agency.

It should be noted that the Board of Statutory Auditors did not receive any notifications regarding objectionable events or any type of reports from Shareholders or third parties, as stipulated by Article 65 of Law No. 47/2006.

During the year 2022, the Board of Statutory Auditors:

- participated in the meetings of the Governing Council. With reference to these meetings, based on the information obtained, we can reasonably confirm that the actions resolved are compliant with the law and the Statute, lack evident imprudence or riskiness, and do not present potential conflicts of interest or contradictions with resolutions adopted by the Shareholders' Meeting. Furthermore, these actions do not jeopardize the integrity of the company's assets.
- participated in the Shareholders' Meetings, in the context of which the information provided by the Chairman and the Acting Deputy Director conformed to the activities of the Executive Body and corresponded with the actual occurrences that transpired.



- verified the effectiveness of the working method established within the Governing Council, whose individual members, with express and limited powers, interacted with the organisational structure on work projects, as long as areas that required functional review were identified both with reference to the internal committees and the processes and activities carried out, making it easier to implement generally shared solutions.
- acquired, through routine audits and interactions within the Governing Council sessions, comprehensive insights from Institution officials, directors, and the Acting Deputy Director. This encompassed information pertaining to overall operational performance, future prospects, as well as significant economic, financial, and equity-related operations.
- evaluated the sufficiency of the administrative and accounting organizational frameworks, scrutinizing their practical efficacy and confirming the presence of a system capable of guaranteeing completeness and dependability in the accounting recording of operational occurrences. This assessment encompassed both direct evaluations conducted by this Board of Statutory Auditors and the lack of reports from the Audit Firm. The financial accounts were transcribed in adherence to principles and guidelines in alignment with prevailing regulations. These accounts served as the foundation upon which the Governing Council obtained recurrent updates and fiscal forecasts essential for the cost rationalization initiative.
- monitored the adherence of managerial activities, encompassing the legality of governance procedures, while also verifying the execution of rectifying steps identified during audits. Furthermore, observed specific efforts aimed at revising and updating internal regulations, with completion anticipated in the current year. This pertains particularly to the interactions between the Governing Council and the Supervision Committee, in accordance with the provisions outlined in the Statute.
- ensured the ongoing focus of the Governing Council on the establishment of internal controls, designed to ensure both operational adherence and managerial effectiveness.
- ensured the accurate establishment of suitable anti-money laundering control protocols, along with the implementation of a Control Plan initiated by the Appointed Manager.

The draft Annual Accounts, which were submitted for your evaluation, encompass the Balance Sheet, Profit and Loss Account, along with the accompanying Notes to the Annual Accounts and the Report on Operations from the Governing Council.

The Board of Statutory Auditors diligently scrutinised the draft Annual Accounts for the fiscal year concluding on December 31, 2022, and thoroughly examined the accompanying Notes to the Annual Accounts. These notes comprehensively outline the valuation principles, adjustments, and provisions, in addition to providing information concerning the balance sheet, profit and loss account, and other pertinent details. The examination also encompassed the Governing Council's report on operations.

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

We have reviewed the report compiled by the audit firm, dated May 5, 2023, which was simultaneously received by the undersigned. This report has been crafted in adherence to existing regulations pertaining to banking institutions and companies. In this regard, we acknowledge the following:

- The Annual Accounts were formulated in accordance with international auditing standards and in alignment with internal regulations pertaining to Annual Accounts.
- The audit firm believes to have gathered adequate and relevant evidential elements upon which to form a judgment.
- A judgment of conformity of the balance sheet with the regulations governing its preparation has been provided.
- The comments included in the emphasis of matter paragraph do not impact or change the auditor's opinion, but rather highlight noteworthy events that transpired throughout the year.

Considering the above and after reviewing the auditor's opinion stating that, *"the Annual Accounts provide a true and fair view of the equity and financial position of the Central Bank of the Republic of San Marino as at 31 December 2022 and of the economic result for the year ended on that date"*, we acknowledge the emphasis of matter paragraph made by the Audit Firm. It does not alter the opinion but rather highlights the information present therein, which is further detailed in the notes to the Annual Accounts and in the "Governing Council Report on Operations - FY 2022."



The emphasis of matter refers to the following significant events:

- Starting from the 2022 Annual Accounts, the Bank has modified the valuation criteria for its securities portfolio in accordance with the provisions outlined in Delegated Decree No. 50 of March 21, 2023. This modification is part of a gradual alignment process of the balance sheet with accounting standards adopted by Eurosystem central banks. As a result of this change, the bond portfolio as at December 31, 2022, has been split into two portfolios. One is held for financial stability purposes, and the other consists of proprietary funds to be held until maturity. Both portfolios are now assessed using the new criterion of amortised cost. If the Bank had not adopted the new securities valuation criteria, it would have incurred a higher loss of EUR 14.9 million for the fiscal year and a corresponding reduction in net equity by the same amount. The Board of Statutory Auditors certifies that it has not identified any critical aspects deriving from the Audit Firm, having also verified the compliance of the Annual Accounts with the facts and information of which it is aware as a result of the performance of its duties and in the absence of any report.

The Board of Statutory Auditors notes that it deemed it appropriate to engage in a discussion with the Audit Firm on the valuation principles of the accounting criterion of "amortized cost" for the assessment of the securities portfolio. Following a joint discussion with the Audit Firm, no objections have been raised concerning the application of this principle. Nonetheless, it is considered advisable to include a clear emphasis of matter in the notes to the Annual Accounts. This disclosure should outline the analysis of the relevant regulations supporting the reached conclusions.

- Following two administrative appeals that resulted in CBSM being unsuccessful, and two ongoing first-instance administrative appeals closely related to the previous ones, the bank has allocated, also through estimations, quantifiable charges associated with the mentioned disputes. Concerning potential compensatory actions tied to the definitive outcomes of the mentioned administrative judgments, CBSM has conducted a prospective assessment. This assessment covers both the degree of fulfillment of the condition upon which the existence of potential liability hinges and, secondly, the estimation process for a potential provision. In particular, regarding the latter point, especially concerning the estimation of a potential fund, CBSM

concluded that it is not feasible to arrive at a reliable estimate of the amount. Based on this prospective evaluation, it has been determined that at least one of the two conditions does not exist, thereby resulting in the non-recognition of potential liability and consequently no provision has been recorded in the Annual Accounts.

The Board of Statutory Auditors, within its jurisdiction, deemed it essential to engage in discussions with the audit firm to ensure a correct and prudent assessment of a provision for a dedicated risk fund concerning the "Bank Asset" position. Following this exchange and evaluating the considerations presented by the Audit Firm, as well as the information gathered, there is no evidence of concerns regarding the valuation of provisions. There have been no changes compared to the previous year that could lead to a reevaluation, and no legal citations or specific damage claims have been received thus far.

- As allowed by the current regulations, CBSM employed EUR 1.03 million from the General Financial Risk Fund for with the aim of stabilizing the financial result for the fiscal year 2022. The General Financial Risk Fund recorded a year-end balance of EUR 32.8 million as at 31/12/2022.

The Board of Statutory Auditors stated that no critical issues have been raised by the Audit Firm. Moreover, it has verified that the balance sheet aligns with the facts and information at its disposal resulting from the fulfillment of its duties, and in the absence of any notifications.

In the context of legal compliance supervision, delegated to this body, the overall approach adopted in the examined project has been monitored, to ensure its general conformity with the law. The Balance Sheet has been prepared with clarity and in adherence to the current civil and tax regulations. Additionally, it accurately and truthfully represents the financial, equity, and economic outcomes of the fiscal period. In our assessment, the management report and the Notes to the Annual Accounts provide a comprehensible overview of the overall events that transpired and present accurate data. This is done while maintaining consistent application of formation criteria.

In our view, the Annual Accounts as at December 31, 2022, are in compliance with the accounting principles and valuation criteria outlined in the Notes to the Annual Accounts. These align with the current regulations and accurately reflect the prescribed standards and the technical nature of financial reporting for the period.



Additionally, it is worth noting the reasonableness of the accounting estimates made by the directors. These estimates have been performed in accordance with their duty to safeguard the integrity of the company's assets, ensuring business continuity while adhering to the principles of prudential assessment, relevance, and temporal competence.

In consideration of the above, since no findings or reservations have emerged, this Board of Statutory Auditors believes to have expressed its opinion for matters within its competence and to the best of its knowledge, in compliance with the rules for drafting the Annual Accounts. The latter have therefore been drawn up clearly and provide a true and fair view of the Central Bank's equity and income situation and the economic result for the year.

Lastly, the Board of Statutory Auditors wishes to thank the entire Governing Council, the Acting Deputy Director and all staff, for facilitating the understanding of the facts and the verification activities through a cooperative and supportive approach.

Dear Shareholders,

We invite you to approve the draft Annual Accounts for the year 2022, owing to the above and based on the exhaustive disclosure provided. Stakeholders have been provided with all the necessary information to correctly assess their investment and the correct equity, financial and economic position of the Supervisory Authority, in light of the environmental system in which the Central Bank operates.

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

San Marino, 9 May 2023

The Board of Statutory Auditors



Ms. Pier Angela Gasperoni

Ms. Valentina Di Francesco

Ms. Monica Zafferani



Audit Firm's Report on the Statement of operations for financial year 2022



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

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

Opinion

We audited the Annual Accounts of the CENTRAL BANK OF THE REPUBLIC OF SAN MARINO (hereinafter also "the Bank" or "Central Bank") consisting of the Balance Sheet as at 31 December 2022, Income Statement for the financial year then ended and the Notes to the Annual Accounts.

In our opinion, the Annual Accounts provide a true and fair view of the equity and financial position of the CENTRAL BANK OF THE REPUBLIC OF SAN MARINO as at 31 December 2022 and of the economic result for the year ended on that date.

Elements underlying the opinion

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

Emphasis of matter

Without changing our judgement, we would like to draw your attention to the information set out in greater detail in the Notes to the Annual Accounts and in the "Governing Council Report on Operations - 2021" with regard to the following significant events.

- Starting from the 2022 Annual Accounts, the Bank has modified the valuation criteria for its securities portfolio in accordance with the provisions outlined in



Delegated Decree No. 50 of March 21, 2023. This modification is part of a gradual alignment process of the balance sheet with accounting standards adopted by Eurosystem central banks. As a result of this change, the bond portfolio as at December 31, 2022, has been split into two portfolios. One is held for financial stability purposes, and the other consists of proprietary funds to be held until maturity. Both portfolios are now assessed using the new criterion of amortized cost. If the Bank had not adopted the new securities valuation criteria, it would have incurred a higher loss of EUR 14.9 million for the fiscal year and a corresponding reduction in net equity by the same amount. Further details are provided in the Notes to the Annual Accounts in Section 1 - Valuation criteria - BONDS AND OTHER DEBT FINANCIAL INSTRUMENTS.

- As a result of two administrative appeals where the Bank was unsuccessful and two ongoing first-instance administrative appeals closely related to the previous ones, the Bank has provisioned, including through estimations, quantifiable charges for the mentioned disputes. As for the potential compensatory actions following the definitive outcomes of the aforementioned administrative judgments, the Bank has undertaken a prospective evaluation. This assessment includes both the level of fulfillment of the condition for the existence of potential liability and, secondly, the estimation process for a potential provision. With particular reference to the latter point, the Bank has concluded that it is not feasible to arrive at a reliable estimate of the amount. Based on this evaluation, at least one of the two conditions has been deemed unsubstantiated, resulting in the non-recognition of potential liability on the balance sheet, which has only been mentioned in the Notes to the Annual Accounts. This description is found within Section 18 of the Liabilities, specifically related to funds, particularly those for risks and charges.
- The Bank, in accordance with the current regulations, has employed EUR 1.03 million from the General Financial Risk Fund with the objective of stabilizing the financial result for the fiscal year 2022. As at December 31, 2022, the General Financial Risk Fund carries a year-end balance of EUR 32.8 million.

Other aspects

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



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

The directors are responsible for preparing the Annual Accounts so as to provide a true and fair view in compliance with the San Marino regulations on drafting criteria and, within the terms established by law, for that part of internal audit deemed necessary by the directors themselves to allow the preparation of Annual Accounts free from significant errors due to fraud or unintentional behaviour or events.

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

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

Auditor's Responsibilities for the audit of the Annual Accounts

Our goal is to obtain reasonable assurance that the Annual Accounts as a whole are free from material misstatements, whether due to fraud or unintentional errors, and to issue an audit report that includes our judgment. Reasonable assurance means a high level of assurance, which, nevertheless, does not guarantee that an audit conducted in accordance with the applicable regulations in the Republic of San Marino and, where applicable, international auditing standards, will always detect a material misstatement, should one exist. Errors can arise from fraud or unintentional actions or events and are considered material if they could reasonably be expected, individually or collectively, to influence economic decisions made by users based on the Annual Accounts.

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

- we identified and assessed the risks of significant errors in the Annual Accounts, due to fraud or unintentional behaviour or events; we defined and performed audit procedures in response to these risks; we have obtained sufficient and appropriate audit evidence on which to base our judgment. The risk of not detecting a significant error due to fraud is higher than the risk of not detecting a significant error deriving from unintentional behaviour or events, since fraud may involve the existence of collusion, forgery, intentional omissions, misleading representations or internal audit forcing.



-
- we acquired a relevant understanding of internal control relevant for auditing purposes in order to define appropriate circumstantial audit procedures and not to express an opinion on the effectiveness of the internal control of the Bank;
 - we assessed the appropriateness of the accounting principles used as well as the reasonableness of the accounting estimates made by the directors, including the related disclosures.
 - we reached a conclusion on the appropriateness of the use of the business continuity assumption by the directors and, based on the audit evidence, on the presence of significant uncertainty regarding events or circumstances that may give rise to significant doubt about the Bank's ability to continue operating as an operating entity. In the presence of significant uncertainty, we are required to draw attention in the audit report to the related disclosure, or, if such disclosure is inadequate, to reflect this fact in the formulation of our judgement. Our conclusions are based on the audit evidence obtained up to the date of this report. However, subsequent events or circumstances may result in the Bank ceasing to operate as an operating entity.
 - we assessed the presentation, structure and content of the Annual Accounts as a whole, including the disclosures, and whether the Annual Accounts represent the underlying transactions and events in order to provide a correct representation.

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

San Marino, 5 May 2023

SOLUTION S.r.l.

Marco Stolfi

Chairman of the Board of Directors

Guarantee Fund for Depositors





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Statement of operations for financial year 2022: Statement of assets and liabilities

| ASSETS | 31/12/2022 | | 31/12/2021 | |
|---------------------------------------|-------------------|---------------------------|------------------|---------------------------|
| | Total value | As a percentage of assets | Total value | As a percentage of assets |
| A. FINANCIAL INSTRUMENTS | 0 | 0% | 0 | 0% |
| A.1. Listed financial instruments | 0 | 0% | 0 | 0% |
| A.1.1. Debt securities | 0 | 0% | 0 | 0% |
| A.1.2. Capital securities | 0 | 0% | 0 | 0% |
| A.1.3. CIS parts | 0 | 0% | 0 | 0% |
| A.2. Unlisted financial instruments | 0 | 0% | 0 | 0% |
| A.2.1. Debt securities | 0 | 0% | 0 | 0% |
| A.2.2. Capital securities | 0 | 0% | 0 | 0% |
| A.2.3. CIS parts | 0 | 0% | 0 | 0% |
| A.3. Derivative financial instruments | 0 | 0% | 0 | 0% |
| B. CREDITS | 10,035,367 | 100% | 0 | 0% |
| B.1. Repurchase agreements | 10,035,367 | 100% | 0 | 0% |
| B.2. Others | 0 | 0% | 0 | 0% |
| C. CASH AT BANKS | 0 | 0% | 0 | 0% |
| C.1 On demand | 0 | 0% | 0 | 0% |
| C.2 Others | 0 | 0% | 0 | 0% |
| D. LIQUIDITY | 46,408 | 0% | 9,943,122 | 100% |
| E. OTHER ASSETS | 0 | 0% | 0 | 0% |
| TOTAL ASSETS | 10,081,775 | 100% | 9,943,122 | 100% |

| LIABILITIES | 31/12/2022 | 31/12/2021 |
|--|-------------|-------------|
| | Total value | Total value |
| F. FUNDING RECEIVED | 0 | 0 |
| G. DERIVATIVE FINANCIAL INSTRUMENTS | 0 | 0 |
| H. OTHER LIABILITIES | 0 | 0 |
| TOTAL LIABILITIES | 0 | 0 |

| NET | 31/12/2022 | 31/12/2021 |
|------------------------------------|-------------------|------------------|
| | Total value | Total value |
| NET ASSET VALUE OF THE FUND | 10,081,775 | 9,943,122 |



Statement of operations for financial year 2022: Income position

| | 31/12/2022 | 31/12/2021 |
|---|---------------|-------------|
| | Total value | Total value |
| FINANCIAL INSTRUMENTS | 0 | 0 |
| LISTED FINANCIAL INSTRUMENTS | 0 | 0 |
| PROCEEDS FROM INVESTMENTS | 0 | 0 |
| Interest and other proceeds on debt securities | 0 | 0 |
| Dividends and other proceeds on capital income | 0 | 0 |
| Proceeds on CIS parts | 0 | 0 |
| PROFIT/LOSS 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 |
| Operating margin of listed financial instruments | 0 | 0 |
| UNLISTED FINANCIAL INSTRUMENTS | 0 | 0 |
| PROCEEDS FROM INVESTMENTS | 0 | 0 |
| Interest and other proceeds on debt securities | 0 | 0 |
| Dividends and other proceeds on capital income | 0 | 0 |
| Proceeds on CIS parts | 0 | 0 |
| PROFIT/LOSS 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 |
| Operating margin on unlisted financial instruments | 0 | 0 |
| NON-HEDGING DERIVATIVE FINANCIAL INSTRUMENTS | 0 | 0 |
| Operating margin on non-hedging derivative financial instruments | 0 | 0 |
| CREDITS | 43,387 | 0 |
| Interest received and other proceeds | 43,387 | 0 |
| Value increases/decreases | 0 | 0 |
| Profit/loss on disposals | 0 | 0 |
| Operating margin on loans | 43,387 | 0 |
| CASH AT BANKS | 0 | 0 |
| Interest received and other proceeds | 0 | 0 |
| Operating margin on cash at banks | 0 | 0 |
| OTHER ASSETS | 0 | 0 |
| Operating margin on investment in other assets | 0 | 0 |
| FOREIGN CURRENCY MANAGEMENT | 0 | 0 |



| | | |
|--|---------------|--------------|
| Operating margin of foreign currency management | 0 | 0 |
| OTHER OPERATING TRANSACTIONS | 0 | 0 |
| Operating margin on other transactions | 0 | 0 |
| <u>GROSS OPERATING MARGIN OF OPERATING ACTIVITIES</u> | 43,387 | 0 |
| FINANCIAL COSTS | 0 | 0 |
| Interest paid on funding received | 0 | 0 |
| Other financial costs | 0 | 0 |
| <u>NET OPERATING MARGIN OF OPERATING ACTIVITIES</u> | 43,387 | 0 |
| OPERATING COSTS | 0 | 0 |
| Commissions | 0 | 0 |
| Administrative costs | 0 | 0 |
| Other operating costs | 0 | 0 |
| OTHER REVENUES AND COSTS | 2,467 | 4,666 |
| Other revenues | 2,467 | 4,666 |
| Other costs | 0 | 1 |
| <u>OPERATING PROFIT/(LOSS)</u> | 45,854 | 4,666 |





Statement of operations for financial year
2022:
Notes to the Annual Accounts



Structure and contents of the Statement of operations

Pursuant to the provisions of Article 3.3.2, paragraph 2, of the “Regulation on the Guarantee Fund for Depositors” (Reg. 2016-01, as amended), the reporting format of the Statement of operations of the Guarantee Fund for Depositors was based on the provisions of Regulation 2007-06 of the Central Bank currently in force and on the schedules and statements annexed thereto, to the extent as compatible.

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

The Statement of operations consists of the Statement of assets and liabilities, the Income position and the Notes to the Annual Accounts, and is accompanied by the Board of Statutory Auditors’ Report and the Audit Firm’s Report. Indeed, the statement of operations is meant to explain, as regards each financial year, the assets and liabilities mix of the Fund, the profit/loss result achieved and the movements in equity, whereas a broader representation of operations is provided 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.

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 2022, it is worth noting that on such date no such instruments were included in the portfolio.

Part A - Assets and liabilities and net equity of Fund

Section 1 - Assets

A. FINANCIAL INSTRUMENTS

A.1. Listed financial instruments

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

A.2. Unlisted financial instruments

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



A.3. Derivative financial instruments

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

B. CREDITS

B.1. Repurchase agreements

| Credits | 31/12/2022 | 31/12/2021 |
|-----------------------|-------------------|------------|
| Repurchase agreements | 10,035,367 | 0 |
| Others | 0 | 0 |
| Total | 10,035,367 | 0 |

The "Credits – Repurchase Agreements" refer to existing repurchase transactions with the Central Bank of the Republic of San Marino, carried out in accordance with the investment policy defined by the Governing Council of the same Central Bank in its meetings on April 12, 2017, and November 27, 2019.

Accrued interest amounts at the end of the fiscal year for these transactions total EUR 43,387 and are included in the aforementioned item.

The increase recorded as at December 31, 2021, is due to resource allocation decisions of the fund, driven by the higher yield of repurchase agreements compared to that recognised for current account deposits.

B.2. Others

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

C. CASH AT BANKS

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

D. LIQUIDITY

| Liquidity | 31/12/2022 | 31/12/2021 |
|--------------|---------------|------------------|
| Liquidity | 46,408 | 9,943,122 |
| Total | 46,408 | 9,943,122 |

"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 24, was held under this item.

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

The decrease in variation compared to December 31, 2021, is due to the reason already explained in relation to the "Credits" item.



E. OTHER ASSETS

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

Section 2 - Liabilities

F. FUNDING RECEIVED

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

G. DERIVATIVE FINANCIAL INSTRUMENTS

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

H. OTHER LIABILITIES

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

Section 3 - Net Asset Value

| Net Asset Value of the Fund | 31/12/2022 | 31/12/2021 |
|--|-------------------|-------------------|
| Net equity at the beginning of the period | 9,943,122 | 8,955,626 |
| Increases | 92,799 | 982,830 |
| Decreases | 0 | 0 |
| Result for the period | 45,854 | 4,666 |
| Net equity at the end of the period | 10,081,775 | 9,943,122 |

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

a. The increases (EUR 0.1 million) refer to the ordinary contribution, net of payment commitments from participating entities, resulting from the application of a contribution rate for the year 2022 of 0.066% on the protected deposits as at December 31, 2021. This rate was determined to achieve the minimum coverage level objective of the Fund, as defined by Article III.II.1 paragraph 1 of Regulation 2016-01, established at the European level as 0.8% of the protected deposits by 2024. Furthermore, according to the aforementioned Regulation in Article III.II.1 paragraph 2, this objective can also be achieved through payment commitments provided by participating entities, which cannot exceed 30% of the net assets of the Fund. For the year 2022, the total of the aforementioned payment commitments received amounts to 996,308 euros, as a result of which **the financial allocation of the Fund amounts to EUR 11,078,083.**

b. the result for the period (EUR 45,854) was tax exempt due to the institutional peculiarities of the Fund.

I. COMMITMENTS, GUARANTEES ISSUED, AND OTHER OFF-BALANCE SHEET ITEMS

| Commitments | 31/12/2022 | 31/12/2021 |
|--------------------|-------------------|-------------------|
| Guarantees issued | 996,308 | 0 |
| Total | 996,308 | 0 |



The payment commitments received from participating entities, pursuant to Article 3.2.1 paragraph 2 of Regulation 2016-01, are fully guaranteed by the secured deposits held at the Central Bank of the Republic of San Marino.

Part B - Income position

The year under review shows a positive result of EUR 45,854 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 credits

| Credits | 31/12/2021 | 31/12/2020 |
|--------------------------------------|-------------------|-------------------|
| Interest received and other proceeds | 43.387 | 0 |
| Value increases/decreases | 0 | 0 |
| Profit/loss on disposals | 0 | 0 |
| Total | 43.387 | 0 |

The entry represents the amount of accrued interest related to purchase agreements conducted with the Central Bank of the Republic of San Marino.

Section 3 - Operating margin on cash at banks

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

Section 4 - Operating margin on investment in other assets

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

Section 5 - Operating margin of foreign currency management

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

Section 6 - Operating margin on other transactions

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

Section 7 - Financial costs

In the period under review, no loans were raised.

Section 8 - Operating costs

As was the case in the previous period, the costs for operating the Fund in 2021 were covered by the Central Bank, as established with resolution dated 6 April 2018 issued by the Governing Council of the Central Bank of the Republic of San Marino itself.



Section 9 - Other revenues and costs

| Other revenues and costs | 31/12/2022 | 31/12/2021 |
|--------------------------|--------------|--------------|
| Other revenues | 2,467 | 4,666 |
| Other costs | 0 | 0 |
| Total | 2,467 | 4,666 |

"Other revenues" pertain to interest accrued on the current account maintained with the Central Bank of the Republic of San Marino.

Part C - Other information

There is no other information to report.



Board of Statutory Auditors' Report on the Statement of operations for financial year 2022



BOARD OF STATUTORY AUDITORS' REPORT
ON THE STATEMENT OF OPERATIONS FOR THE YEAR ENDED 31
DECEMBER 2022
GUARANTEE FUND FOR DEPOSITORS

Dear participants and guaranteed parties of the Guarantee Fund for Depositors,

The draft Annual Accounts as at 31 December 2022 that the Governing Council submits for your approval, were prepared in compliance with current laws (Law No. 96 dated 29 June 2005, as amended - Central Bank Statute; Law No. 165 dated 17 November 2005 - Law on Companies and Banking, Financial and Insurance Services; Law No. 47 dated 23 February 2006 - Company Law); they consist of the Assets and Liabilities Statements, Income Position, Notes to the Annual Accounts, Board of Statutory Auditors' Report as well as Audit Firm's Report.

Pursuant to the provisions of Article 3.3.2, paragraph 2, of the "Regulation on the Guarantee Fund for Depositors" (Reg. 2016-01, as amended), the reporting format of the Statement of operations of the Guarantee Fund for Depositors was based on the provisions of Regulation 2007-06 of the Central Bank currently in force and on the schedules and statements annexed thereto, to the extent as compatible.

The Statement, comprised of the Assets and Liabilities Statements, Income Position, Notes to the Annual Accounts, is meant to explain, as regards each financial year, the assets and liabilities mix of the Fund, the profit/loss result achieved and the movements in equity, whereas a broader representation of operations is available in the Annual Report on the Activities of the Fund, attached to the Annual Report of the Central Bank to the Great and General Council.

The Annual Accounts have been prepared based on the accounting principles and valuation criteria generally applied by mutual funds, in accordance with the regulations and rules in force.

The Statement of Operations was approved by the Governing Council on May 3, 2023, and simultaneously made available to the Board of Statutory Auditors.

The Statement of Operations submitted for your approval shows a positive result (EUR 45,854) which is analytically demonstrated in the income components recognised in the



Profit and Loss Account; the Balance Sheet represents the reliable expression of the equity and financial situation of the company. Said result for the year was tax exempt due to the institutional characteristics of the Fund.

During the year ended 31 December 2022, our activities were based on the legal provisions and the Rules of Conduct of the Board of Statutory Auditors issued by the Association of Chartered Accountants of the Republic of San Marino.

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

The Board of Statutory Auditors acknowledges that consultations were held with the Audit Firm, and coordination took place on respective areas at expertise. No significant issues emerged that required specific investigations; from the conducted examinations, no censorable matters were communicated to us.

We have overseen compliance with legal norms, the proper preparation of the Management Report, adherence to the Deposit Guarantee Fund's Regulations, and the observance of principles of sound administration. In this regard, we have no observations to report.

We have monitored its overall framework, ensuring its conformity with the law, in terms of its formation and structure, and we have no particular observations to bring forward. We acquired information from the Management Body on the overall performance of operations and on the outlook, as well as on the most significant transactions, owing to their size or characteristics, carried out by the Fund and on the basis of the information acquired, we have no observations to report.

We have obtained information from the Management Body regarding the overall progress of operations and foreseeable developments, as well as significant transactions conducted by the Fund due to their size or characteristics. Based on the acquired information, we have no observations to report.

We have been able to verify that the actions deliberated and undertaken are in compliance with the law and regulations, and there appear to be no instances of imprudent or risky behavior, nor potential conflicts of interest.

We have acquired knowledge and overseen, to the extent of our competence, the adequacy and functioning of the accounting-administrative system, as well as the reliability of the latter to accurately represent operational events through information provided by those responsible for the management body and the individual entrusted with the audit. In this regard, we have no particular observations to report.



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

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

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

In consideration of the above, since no findings or reservations have emerged, this Board of Statutory Auditors believes to have expressed its opinion for matters within its competence and to the best of its knowledge in compliance with the rules for drafting the Statement of Operations of the Guarantee Fund for Depositors as at 31 December 2022. The Statements have therefore been drawn up clearly and provides a true and fair view of the equity and income situation.

Lastly, the Board of Statutory Auditors wishes to thank the entire Governing Council, the Acting Deputy Director and all staff, for facilitating the understanding of the facts and the verification activities through a cooperative and supportive approach.

San Marino, 9 May 2023

The Board of Statutory Auditors

Ms. Pier Angela Gasperoni

Ms. Valentina Di Francesco

Ms. Monica Zafferani



Audit Firm's Report on the Statement for operations for financial year 2022



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

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

Opinion

We audited the Annual Accounts of the Guarantee Fund for Depositors (hereinafter Fund), which comprises the Balance Sheet as at 31 December 2022 and the income position for the financial year then ended and the Explanatory Notes to the Annual Accounts.

Based on our assessment, the Annual Accounts provide a true and fair view of financial position of the Fund as at 31 December 2022 and of its economic result financial year then ended, in accordance with Regulation No. 2007-06 on drafting criteria issued by the Central Bank of the Republic of San Marino.

Elements underlying the opinion

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

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

The directors of the Central Bank of the Republic of San Marino are responsible for preparing the Annual Accounts of the Fund that provides a true and fair view in compliance with Regulation No. 2007-06 issued by the Central Bank of the Republic of San Marino, which regulates the drafting criteria and, within the terms established by law, for that part of internal control deemed necessary by the directors themselves to



allow the preparation of the Annual Accounts without significant errors due to fraud or unintentional behaviour or events.

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

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

Auditor's Responsibilities for the audit of the Annual Accounts

The purpose of our audit is to obtain reasonable assurance that the Annual Accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance means a high level of confidence, but it does not guarantee that an audit conducted in accordance with the regulatory framework of San Marino will always detect a material misstatement if it exists. Material misstatements can arise from fraud or error and are considered material if they could influence the economic decisions of users based on the Annual Accounts, either individually or collectively.

In conducting our audit in accordance with the laws of the Republic of San Marino and, where applicable, International Standards on Auditing, we exercised professional judgment and maintained professional skepticism throughout the audit process. Additionally:

- We identified and assessed the risks of material misstatements in the Annual Accounts due to fraud or error, designed and performed audit procedures to address these risks, and obtained sufficient and appropriate audit evidence to form our opinion. The risk of not detecting material misstatements due to fraud is higher than the risk of not detecting material misstatements due to unintentional error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or coercion, which can be more challenging to uncover through auditing procedures.
- We obtained a relevant understanding of the internal control for audit purposes to design appropriate audit procedures. Our assessment of internal control is not an opinion on the effectiveness of the Fund's or the Central Bank of the Republic of San Marino's internal controls.



- We evaluated the appropriateness of the accounting principles used and the reasonableness of the accounting estimates made by the management, including related disclosures.
- We reached a conclusion on the appropriateness of the going concern assumption used by management and assessed whether there is a significant uncertainty about events or circumstances that may cast substantial doubt on the Fund's ability to continue operating as a going concern. If there is a significant uncertainty, we are required to either include a related disclosure in the audit report or modify our opinion accordingly. Our conclusions are based on audit evidence obtained up to the date of the report. However, subsequent events or circumstances could affect the Fund's ability to continue as a going concern.
- We evaluated the presentation, structure, and content of the Annual Accounts as a whole, including disclosures, to ensure that they represent the underlying transactions and events in a true and fair manner.

We communicated with those charged with governance of the Fund, at an appropriate level, about the planned scope and timing of the audit and significant findings that arose during the audit process.

San Marino, 5 May 2023

SOLUTION S.r.l.

Marco Stolfi
Chairman of the Board of Directors



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