



BSI

banca sammarinese
di investimento

Annual Report
2017

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CORPORATE OFFICERS AS OF 31/12/2017

BANCA SAMMARINESE DI INVESTIMENTO S.P.A.

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Website www.bsi.sm

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Share Capital 20.000.000 fully paid in

Economic Operator Code SM18493

Companies Register registration no. 2771 of 29/05/2002

Bank implementing the depositor protection system introduced by Delegated Decree no. 111/2011

Board of Directors

Giuseppe Dini	Chairman
Emanuel Colombini Simona Michelotti	Directors

Board of Auditors

Alfredo Amici	Chairman
Alessandro Olei Marco Cevoli	Standing auditors

Gabriele Monti	Managing Director
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Revipro S.r.l.	Auditing Firm
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PRESENCE WITHIN THE TERRITORY: BRANCHES

BIC SWIFT

BSDISMSDXXX

ABI 03287 CAB 09801

Rovereta Branch

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BOARD OF DIRECTORS' REPORT ON MANAGEMENT

MACROECONOMIC SCENARIO

The expansion of global economic activity remains solid and widespread; however, the general underlying inflation weakness remains. The short-term growth prospects are favorable.

Growth prospects have still improved in the Eurozone. According to the latest forecast of the Eurosystem, the product is expected to expand by 2.3% in the current year. Deflation expectations have completely subsided, but inflation remains low, at 1.4% in December; the underlying component remains weak, curbed by still moderate wage growth in many economies of the area. The Governing Council of the ECB recalibrated monetary policy instruments, while preserving, also in prospect, very expansionary monetary conditions, which are still necessary for a lasting return of inflation to levels below but close to 2%.

In Italy, according to the Bank of Italy estimates, GDP in the fourth quarter of last year grew by around 0.4%; the favorable trend of the last quarters is confirmed, albeit still below the European average. The increase seems to have affected services and industry in the strict sense. Surveys show a return of business confidence to pre-recession levels; they also indicate favorable conditions for capital accumulation. These assessments are confirmed by the acceleration of investment expenditure recorded in the second half of the year.

Exports grew in the third quarter of 2017. Companies' feedback on the progress of orders from abroad is also favorable. The current account surplus remains at high levels, equal to 2.8% of GDP in the four quarters ending in September; the surplus contributes to the improvement of the country's net debt position, which fell to 7.8% of the product.

Employment continued to increase both in the third quarter and, according to the most recent economic indicators, in the last months of last year. The hours worked per person also increased, although they still remain below pre-crisis levels. According to the Labor Force Survey, the unemployment rate stood at 11% in November. The wage trend remains moderate even though, on the basis of employment contracts renewed in the second half of last year, it shows some signs of recovery.

Despite a recovery in prices at source, consumer price inflation in Italy remains weak at 1% in December; the underlying one stands at very low values, 0.5%. According to the surveys, inflation expectations of enterprises are contained, even if higher than the minimum levels reached at the end of 2016. The companies interviewed forecast increases in their price lists just above 1% in the current year.

The growth of loans to families is lively. Loans to companies, especially manufacturing ones, also increase. Companies' demand for bank credit is limited by the wide availability of internal resources and the greater recourse to the issue of bonds.

The quality of bank credit continues to improve, favored by consolidating growth. The flow of new impaired loans in proportion to loans fell to 1.7%, below the levels recorded before the global crisis. The impact of the amount of impaired loans on total loans decreased (for significant groups from 8.2% to 7.8% net of value adjustments), largely due to the conclusion of sales of non-performing positions. The capital ratios of the banks strengthened.

According to projections for the Italian economy in the three-year period 2018-2020, GDP is expected to increase by 1.5% in 2017, up by 1.4% per cent in the current year, and by 1.2% in 2019-2020. Economic activity will be driven primarily by domestic demand.

Inflation is expected to fall temporarily this year and then gradually rise again. The projection of a decrease in 2018 (to 1.1% on an annual average) is mainly due to the ending effect of the increase in energy and food prices at the beginning of 2017. In the next two years, prices are expected to rise again by 1.5% on an annual average, reflecting a progressive strengthening of wage growth.

This framework suggests still accommodative financial conditions, with a very gradual adjustment of short and long-term interest rates, orderly conditions on government securities markets and relatively relaxed credit provision criteria. Overall, the performance of the product will continue to depend on the support of expansionary economic policies, although to a lesser extent than in the past.

The most significant among the risks weighing on this scenario are those arising from the international context and from the performance of financial markets. Worsening global tensions or greater uncertainty about economic policies in the various areas could result in increased volatility of financial markets and risk premiums, and negatively affect the

economy of the Eurozone.

Among internal risks, those associated with the weakness of the credit system and with the possible aggravating uncertainty of households and businesses over the intensity of the current recovery have diminished compared to the last forecast scenarios. The framework outlined here depends, however, on the continuation of economic policies able, on the one hand, to favor long-term economic growth by supporting investment and consumption choices and, on the other, to make the public debt reduction process credible, by taking advantage of the favorable moment of global economy.

FINANCIAL MARKETS

The year 2017 was for Italy the year of the Gentiloni government, as well as the last act of a legislature that had started office marked by non-governability and now ends leaving very little certainty. While there is little doubt that the second republic has come to an end, surely it cannot be said that the third republic is ready to be baptized. From an institutional point of view the agreement found in extremis on the electoral law has not given guarantees of governability (as could be easily foreseen). The party-political-institutional structure is still very fluid and could evolve in very many ways, so much so that the next legislature could still be provisional.

We do not aim to make political judgments here. What is certain is that the last 5 years were strongly affected by the 2008-2011 crisis and marked by strong reformism, both in terms of economic issues and civil rights.

2017 will be remembered as the year of a trend reversal in monetary issues. The great set of extraordinary policies that served to get out of the swamp that had bogged down the economy after the 2008 crisis must gradually be withdrawn without compromising economic growth. The Federal Reserve had made numerous rate hikes and at least three new rises are expected for next year. 2017 was also the year of the Federal Reserve baton passing to the new governor, Jerome Powell, who, recently appointed by Trump, is in line with Yellen regarding monetary policy, but may instead have a softer approach concerning the rules of Wall Street.

The European Central Bank announced that it will continue its securities purchase program, although wages and inflation still do not give convincing signals.

On the contrary, the Bank of Japan continued to operate a very accommodative economic policy. The weak Yen and global recovery finally gave momentum to growth. The third quarter ended with a +2.5% trend.

In 2017 volatility was incredibly low, as if markets, strengthened by innovations in recent years, had reached new levels of risk tolerance. Political and geopolitical tensions were certainly not missing, but markets reacted to the uncertainty in a lower tone than what would have been expected looking at the past.

The question everyone asks for 2018 is whether this trend is destined to last. Difficult to answer: the results of global economy and Trump's tax reform could give further impetus to the valuations, even if it is not sure that they will be able to easily replicate the performance of past years.

The Eurozone was the surprise of 2017. Only a year ago the disappointing economic results and the structural problems of the European project were at the center of operators' debate, on the eve of an electoral cycle that could have questioned the future of the Union itself. However, the electoral risk died away and growth expectations increased during the year from 1.5% to 2.2%. The acceleration in growth was reflected in the financial markets and the Euro. The newfound political stability, confirmed by a series of electoral results favorable to the European forces, has so far had no consequences in terms of progress of the European project. The structural defects of the Union therefore remain a question mark planted in the foundations of the EU. In 2018 we will see if the speeches started on the many hot topics (from common defense to migration and the economic union) produce positive measures.

2017 was the first year of Donald Trump as President of the United States of America. Trump had to deal with the current politics in Washington and the decisionism that he had flaunted during the political campaign faded away over the passing months. No wall against Mexico, no elimination of Obama's health reform. Even with regard to international politics, no change in pace was noted. However, the final blow came in December, with the approval of the tax reform. This provision can be a turning point (both from a political point of view and as regards the financial markets), in an economic context that still seems healthy.

The digital revolution has now invested the financial sector, raising the bar of consumer expectations regarding the quality of services and undermining traditional models. In 2018 an important boost to the new finance will also come from some regulations. *MIFID II* may revolutionize the market of financial services; PSD2 (Payment Service Directive 2 – a set of new rules aimed at increasing the protection of consumers who pay online, as well as promoting the development of mobile payments through open banking) will take away the monopoly of data from banks and the use of digital media to process payments.

ECONOMIC PERFORMANCE IN THE REPUBLIC OF SAN MARINO

Since 2008, the deterioration of global economy and in particular the contraction of the Italian market (the main economic partner of our Republic), together with endogenous events, have determined the crisis of the San Marino production system, with strong repercussions on employment. In these years San Marino has suffered a severe economic recession: GDP has contracted almost 30% since the beginning of the crisis. However, starting from 2016, the San Marino macroeconomic situation showed a slight trend reversal.

In that year the economy grew by around 2%, supported by a favorable external environment. However, the indicators suggest that economic growth slowed slightly in 2017, decreasing to around 1.5% with negative effects also visible on the employment growth rate. Despite the improvement in economic activity, the reduction in the leverage of the banking sector continues and credit to the national economy declined further in 2017.

In the short and medium term the reference parameters are increasing moderately. According to the baseline scenario, the economy is expected to grow slightly above 1% in 2018 and beyond, driven by private consumption, which benefits from previous employment gains. However, investments remain weak, mainly due to the lack of support from the banking sector and the lack of planning in public infrastructure.

This basic scenario is however subject to downside risks determined mainly by the lack of a concrete relaunch of the national banking sector, *above all* by Cassa di Risparmio della Repubblica di San Marino. An increase in the fiscal costs of repairing the banking sector, through the realization of potential liabilities such as the conversion of tax credits into government securities, could exert further pressure on public finances.

In the last few years public finances have been managed with caution to limit the deficit, but the public debt is destined to increase mainly due to the State taking over the loss of assets of Cassa di Risparmio della Repubblica di San Marino.

The fiscal strategy should aim to ensure debt sustainability and promote growth. Also, a primary objective is to collect revenue, review the level and quality of spending, improve debt management and diversify financing options.

The change in the process of recruiting non-residents, which took place in 2017, is a step towards reducing skill shortages and improving productivity, through greater correspondence in the labor market. Greater flexibility of this market should be supported by a targeted social policy, such as to create an effective link between supply and demand, on the basis of specific professional training requirements, without neglecting the reintegration of unemployed workers.

San Marino's constant efforts towards the international community, aimed at improving transparency, were fundamental. The recently ratified regulatory update of the AML/CFT framework will further contribute to improving the credibility of the system. The signing of a memorandum of understanding with the Bank of Italy, hoped for by countless years, remains a decisive objective in the context of the future institutional initiatives of the Republic. The IMF's international delegation, in its recent visit, identified as a priority the maintenance of financial stability and the restoration of the soundness of the banking sector, through public support to the banking sector, which must necessarily be accompanied by improvements in terms of responsibility and supervision.

Businesses (companies, individual enterprises, self-employed and freelance professionals) decreased by 43 units from 5,039 to 4,996 active entities. Major decreases still affect the sectors of "constructions and plants" and "trade".

Unfortunately, the trend in the unemployment rate reversed after 2016, which saw a reduction in the phenomenon. As at 31/12/2016, it stood at 8.50% (1,399 units); at the end of 2017 it rose to 8.67% (1,430 units). The number of employees, both public and private, increased from 18,524 to 18,689 units.

The number of residents in the Republic increased by 132 people from 33,196 on 31/12/2016 to 33,328 on 31/12/2017.

During 2017 the consumer price index increased slightly.

SAN MARINO FINANCIAL SYSTEM

The financial sector consisted as of 31/12/2017 of 17 authorized subjects, down from the previous year (as of 31/12/2016 the subjects authorized by CBSM were 18).

2017 was undoubtedly one of the worst years of the San Marino banking and financial system. In addition to macroeconomic difficulties, the internal events of the country saw the winding-up of a credit institution, the troubled takeover of the main San Marino bank by the State, many changes in the top management of CBSM, just to remember the main events recorded during the year, all of which contributed to creating a climate of great distrust of the banking system and of the country. The effect of this lack of trust caused a substantial outflow of resources, which weighed on a situation already weakened by the previous returns of capital (tax shields and *Voluntary Disclosure*) launched by other governments. A further negative impact on the system was determined by the continuous news and controversies on the status of impaired loans in San Marino banks reported with insistence by local and Italian press, controversies which in some cases went beyond the mere duty to report news.

The IMF reiterated the need to adopt a coherent strategy to restore the trust and soundness of the banking system. The outstanding problems of the banking sector accumulated over the last decade entailed too high costs for the state (mainly due to the use of tax credit as a means to resolve banking crises). A new strategy for the entire sector is therefore essential and urgent, with permanent solutions to minimize costs for tax payers, safeguard financial stability and guarantee profitability. *First and foremost*, this should include the prompt recapitalization of banks and the settlement of non-performing loans (NPLs), supported by measures to improve transparency and accountability and the infrastructure of the financial sector.

One of the IMF's immediate actions was to update the AQR process to identify and address capital shortfalls. The process, already started in the autumn of 2016, was not closed due to the changes occurred in the top management of CBSM. The new *governance* started the acquisition of data updated as at 30/06/2017 to close the evaluation process as quickly as possible. To date, BSI has completed sending the requested information. Also on the basis of today's draft financial statements, it is reasonable to believe that the results referring to BSI can be confirmed as positive.

It should be noted that the Central Risk Database, which is an essential instrument of the banking activity and of a correct lending policy, has been fully operational since last autumn.

The climate of distrust that crossed the country had a heavy impact on aggregate system data, which show a progressive decrease in direct and indirect deposits.

A comparison of data at the end of 2016 with those as at 30/09/2017 (latest official data provided by CBSM) shows that direct deposits decreased alarmingly (3,830 million euros as at 09/30/2017 compared to 4,535 million euros as at 31/12/2016). Likewise, indirect deposits also decreased (1,740 million euros as at 30/09/2017 compared to 1,833 million euros as at 31/12/2016). Therefore, total deposits fell from 6,368 million euros as at 31/12/2016 to 5,570 million euros as at 30/09/2017 (-12.5%).

It should be noted that in previous years other extraordinary events occurred that had a negative impact. 2016 was the year in which the capital outflows related to the *Voluntary Disclosure* launched in 2015 by the Italian government occurred. This event was preceded by three capital returns (so-called *Fiscal Shields*).

Similarly, loans also decreased from 3,310 million euros as at 12/31/2016 to 3,062 million euros as at 09/30/2017 (- 7.5%). The main problem, as in other European countries, remains that of *non-performing loans* (NPL). It should be noted that the incidence of gross non-performing loans on loans increased from 17.97% as at 31/12/2016 to 19.14% as at 30/09/2017.

The total net equity of San Marino banks (including the provision for general banking risks) decreased further, from around 399 million euros as at 12/31/2016 to 315 million euros as at 30/09/2017.

The following table summarizes the aggregate system data for the last five years, useful for understanding the situation and the dynamics recorded by the San Marino financial system.

	31/12/2013	31/12/2014	31/12/2015	31/12/2016	30/09/2017
Direct deposits	5,022	5,147	4,802	4,535	3,830

Indirect deposits	2,142	2,202	1,951	1,833	1,740
Total deposits	7,164	7,349	6,753	6,368	5,570
Loans	4,174	3,976	3,726	3,310	3,062
Net equity	530	466	442	399	315

CBSM source – data in millions of Euros

The net equity amount includes the provision for general banking risks.

REFERENCE REGULATIONS INTRODUCED IN 2017

Below are the most significant banking and financial regulations enacted in 2017:

Primary regulations

Decree Law no. 88 of 27 July 2017 – Ratification of Decree-Law no. 78 of 10 July 2017 – Urgent measures to support banking system

The Decree provides for tax benefits for credit institutions which, with the authorization of the Central Bank, acquire, pursuant to article 92 Law 165/2005, the entire company complex, that is assets, liabilities or legal relationships identifiable as a block of San Marino banking institutions placed in receivership pursuant to article 85 of Law 165/2005. The benefits are calculated on the basis of the amount of any negative balance given by the difference between assets and liabilities transferred at the time of acquisition.

Decree Law no. 122 of 27 October 2017 – Ratification of Decree-Law no. 101 of 30 August 2017 – Measures to guarantee economic stability in the Republic of San Marino

The Decree provides that the Committee for Credit and Savings, limited to the results of the asset review carried out by the Central Bank of the Republic of San Marino and/or following inspections carried out by the latter, or in cases of devaluation of receivables declared directly by the supervised entity, may authorize, upon motivated request of a supervised entity, accounting records of the writedowns of the receivables of the supervised entities, in cases of consolidation or systemic importance, up to the corresponding amount, by way of derogation from the primary regulations and secondary regulations. This exemption is allowed for a maximum limit of 30 years from the date of authorization. This power is also acknowledged when the negative income components are due to the valuation of the receivables segregated in San Marino mutual funds.

Decree Law no. 123 of 27 October 2017 – Ratification of Decree-Law no. 113 of 25 September 2017 – Profiles defining checks and regulations on the request for payment and protest of checks in electronic format

The Decree establishes the new provisions for the presentation, preservation and protest of the check in electronic form.

Delegated Decree no. 128 of 31 October 2017 – Provisions to favor the return of assets and the emergence of some assets held abroad

The Decree dictates provisions in order to allow the emergence of foreign assets or income (buildings, land, aircraft, boats, vehicles, shares and non-equity shareholdings, sums of money, etc.) not declared by taxpayers. The regularization of assets held abroad is carried out exclusively through the repatriation procedure (for sums of money or financial instruments) or the regularization procedure. For each tax period in which the tax payer has failed to indicate, in whole or in part, the values and assets held abroad, adherence to the repatriation procedure involves the payment of the following sums: a) 10% of the amount of undeclared income; b) 5% of the value of undeclared goods. Adherence to the regularization procedure involves the payment of the following sums: a) 17% of the amount of undeclared income; b) 2% of the value of the undeclared goods.

Decree Law no. 139 of 11 December 2017 – Ratification of Decree-Law no. 116 of 29 September 2017 – Adaptation of the national legislation to international conventions and standards on preventing and combating money laundering and terrorist financing

Through the aforementioned Decree, the Republic of San Marino ratified the EU Directive 2015/849 (so-called IV Directive), aligning itself with the most advanced international standards on preventing and combating money laundering and terrorist financing.

The legislation modifies the definitions of:

- politically exposed person: the new definition further limited the perimeter of the relevant positions for the purposes of classification and eliminated brothers and sisters from among the “relatives of a politically exposed person”. The difference between foreign PEP and domestic PEP was eliminated;
- beneficial owner: in relation to the qualification, the main innovations concern the identification, as a residual criterion (if it is not possible to use other criteria) as a beneficial owner, of those who exercise administrative or managerial powers of the legal entity.

In addition, Title II bis was introduced concerning the national assessment of money laundering and terrorist financing risks, with respect to which the coordination competence was assigned to the Finance and Budget Department, with the support of the National Technical Coordination Committee (CTCN). This approach is based on the obvious necessity that the political authority should have a role in the choices concerning the strategies for preventing and combating money laundering and terrorist financing.

The principles concerning the “self-assessment” that all the designated subjects will have to carry out after the entry into force of the new rules, according to proportionality principles, were also introduced. The choice made for this specific topic, as in others, was to introduce a simple regulatory provision and consequently to regulate the most substantial part, even from a technical point of view, with secondary legal acts of the FIA, simplifying the law and giving at the same time greater flexibility to constantly changing standards and practices.

The transfer threshold between different cash subjects was lowered from € 15 thousand to € 10 thousand. The lowering of the threshold to € 10 thousand has a double value. On the one hand, it is aligned with the cross-border money declaration threshold or other bearer securities (envisaged by Decree 74/2009); on the other hand, the introduction of this threshold allows, as has already been mentioned, avoiding anti-money laundering charges for (and therefore excluding from the list of designated subjects) a “macro and indistinct category” of potentially designated subjects envisaged by the new Directive, that is, all those who buy or sell goods or services that are paid in cash for an amount exceeding € 10 thousand.

Law no. 147 of 21 December 2017 – Budget estimates of the State and Public Bodies for the financial year 2018 and Multi-Annual Budgets 2018/2020

Below are the most influential provisions in the banking and financial sector:

- Art.39 The State Congress has been authorized to acquire the shares of Cassa di Risparmio della Repubblica di San Marino owned by S.U.M.S, with expenses to be spread over 25 years.
- Art.40 The State Congress, also in order to proceed with operations aimed at strengthening the banking system, has been authorized to arrange for the purchase of bonds issued by Cassa di Risparmio della Repubblica di San Marino from the Social Security Institute up to the amount of € 35,000,000.00 according to a seven-year repayment plan starting from the financial year 2018.
- Art.41 The State Congress has undertaken to submit to the Permanent Council and Finance Commission, a feasibility project aimed at introducing the appropriate regulatory changes that allow the separation between commercial and investment banks, by March 31, 2018.
- Art.48 The State Congress has been given the mandate to issue a specific delegated decree, by April 30, 2018, in order to establish an extraordinary tax on real estate and property assets.
- Art.70 The Central Bank of the Republic of San Marino, through the State Congress, must submit to the Great and General Council by February 28, 2018 an overall reorganization project that includes: a) the revision in terms of efficiency of the structure, services provided and control, administration and reporting procedures; b) the reduction of management costs, also through the identification of forms of solidarity between employees; c) the reform of the statute. This is aimed to reduce by at least 20% the conventional charges referred to in Article 22, paragraph 3, of Law no. 96 of 29 June 2005 and subsequent amendments for the remuneration of the services provided by the Central Bank to the wider Public Sector.
- Art.88 In order to intervene in favor of subjects that have suffered financial losses as a result of fraud made by authorized subjects pursuant to Law no. 165 of 17 November 2005 and definitively established in court, the “Extraordinary fund for protection against fraud and financial fraud” is established, through delegated decree to be adopted by 30 September 2018. The aforementioned Extraordinary Fund will be provisioned by a percentage of the proceeds deriving from the “confiscation of assets, funds and values”, as well as by specific allocation in the state budget.

CBSM Regulations

no.2017-08 Regulation for check payment and protest in electronic format

The Regulation dictates the implementation discipline following the issue of Decree Law 123/2017

no.2017-07 *Regulation on life insurance contracts for revaluable benefits linked to a separate internal management* applicable to insurance companies headquartered in the Republic

no.2017-06 *Miscellany of measures aimed at reviewing the supervisory provisions*

no.2017-05 *Regulation amending Regulation 2016-01 on the guarantee fund for depositors*

no.2017-04 *Provisions relating to Regulation 2016-02 and reviewing Circular no. 2015-02*

no.2017-03 *Regulation on insurance and reinsurance mediation – Update no. V* which amends and integrates the previous regulation

no.2017-02 *Regulation amending Regulation no. 2006-01*

no.2017-01 *Regulation amending Regulations no. 2007-07, no. 2011-03 and no. 2016-02*

and the following Circulars

no.2017-04 *Information requirements regarding the accounting situation (SC)*

no.2017-03 *Information requirements regarding company budgets*

no.2017-02 *Information to be transmitted pursuant to the insurance contract*

no.2017-01 *Method of determining contributions to the Guarantee Fund for Depositors*

Financial Intelligence Agency Regulations

In the reference year the Agency published the following instruction

n.2017-01 *Provisions regarding information data accompanying the transfer of funds. Data and information that must be recorded and stored in accordance with articles 34 and 35 of Law no. 92 of 17 June 2008 as amended*

BANCA SAMMARINESE DI INVESTIMENTO

Starting from 2012, our Bank has characterized itself as a *retail* bank, serving households and businesses in the area, with the aim of protecting and valuing savers' deposits and assisting, through targeted financing, both the private and the production sector.

The 2016-2018 three-year development plan, approved by the Board of Directors in 2015, has already been substantially implemented. Specifically, deposit targets (both in terms of volumes and quality), new customers and profitability have been largely exceeded; the planned products/services have been created, with the exception of the "bank-insurance" project that is temporarily suspended. Slightly below the budget are the objectives set for the credit sector, in relation to which it was preferred not to push too much considering the still negative market situation; hence the need to set new goals, which were defined by the Board of Directors on 28 February.

The new 2018/2020 three-year development plan aims to continue strengthening the presence of Banca Sammarinese di Investimento in the domestic market and, at the same time, to prepare for entering, hopefully in the near future, in possible new markets.

The Private Banking sector related to banking and financial services provided to high standing customers remains a central element of our activity. The development of this sector, also through continuous staff training, remains a priority and is aimed at providing the same services to foreign customers with specific needs in the near future.

The decision made in the past to manage the credit card service in complete autonomy with the issuing activity (it should be noted that the placement of credit cards issued directly by our institute started in February 2016) and the acquiring activity (the installation of our POS started in March 2017) was very satisfying. Our Bank was the first institute on the San Marino market having its own cards, an activity that was extended to the *acquiring* services

well in advance of the withdrawal terms set by Cartasì. The further (and only) competitor on the market (T@pay) still benefits from an extension in this last sector. During the year our offer will be further expanded with the placement of the new *revolving* cards.

Let's briefly review the main 2017 events that concerned the Bank.

New professional figures were added to the company staff. In detail, the number of employees rose from 42 as at 31/12/2016 to 45 as at 31/12/2017 (of which 21 employed at the branches and 24 at the Management Offices). The average age of staff is currently 39; the incidence of female personnel is 38%. It should be noted that 45% of employees have a university degree.

During the year two new branches were opened, Gualdicciolo in February 2017 and Fiorentino in December 2017, as planned in the 2016/2018 development plan.

The Board of Directors continues to pay particular attention to risk management and the internal control system. Also last year, it preferred to keep the Risk Manager function in *outsourcing*, using the San Marino company San Marino Advisor Srl, which has been collaborating with important companies in the Republic's financial panorama for many years.

During the fourth quarter of 2017 the *risk assessment activity* was started by the Florence-based company BDM Audit Srl. The definition of the *risk appetite framework* (RAF) will be completed within the first quarter of 2018 and presented in the first useful meeting of the Board of Directors.

The company will also contribute, over the next few months, to forming an internal resource that will play the role of Risk Manager starting from mid-2018.

As in previous years, it was decided to keep the *Internal Audit* function outsourced to the Bologna-based company Baker Tilly Revisa, the leading Italian auditing company in the sector.

A predominant focus is the training of personnel, who took part during the year in events organized in collaboration with ABI FORMAZIONE, AIRA, as well as San Marino professional associations. In addition, in-house training and refresher courses were held by internal staff, including: "Risk profiling - monitoring - reporting obligations", "Reporting - On-line Trading - Web Banking", "Asset management", "Pac - Pac Protection - Bsi Previdenza - RSM Taxation", "Attribution of the risk profile - RPS allocation - verification and archiving of the documentation delivered to customers", "Operating part of loans", "Investments - bonds - shares - funds", "Basic finance course", "Anti-money laundering". Finally, in November, a two-day *in-house* course was held by an AIRA consultant on anti-money laundering issues.

The Trustee Manager took part in the technical refresher course for the maintenance of the qualification.

The main patrimonial and economic data are shown below.

Total deposits at the end of 2017 amounted to € 631,351,133, of which € 408,170,049 direct deposits and € 223,181,083 administered indirect deposits. The figure shows an increase of over € 61 million (+10.74%) compared to the previous year.

With regard to the Bank's treasury, the following cash values were recorded as at 31/12/2017:

a) € 96,289,813 deriving from interbank deposits (on demand and term) and deposits in foreign currency;
b) € 221,778,962 deriving from securities distributed over different issuers; in particular, the trading portfolio amounted to € 140,620,892, while fixed assets amounted to € 81,158,070.

Total treasury therefore amounts to € 318,068,775, which is remarkable considering the size of the bank. As in the past, investment strategies were inspired by criteria of prudence and risk diversification.

On the lending side, the year 2017 recorded an increase in receivables from ordinary customers, which amounted to € 119,638,153 at the end of the year, net of allowances for doubtful accounts and inclusive of financial leasing transactions. The increase, equal to 3.66%, is still lower than the expected growth. The bank pursues a credit management policy aimed at splitting credit, both in terms of number of positions assigned and technical forms used.

With regard to *non-performing* loans, as at 31/12/2017, gross substandard loans totaled € 3,279,177 with value adjustments of € 522,248, non-performing loans € 9,431,351 with value adjustments of € 4,963,576, restructured loans € 5,543,345 with value adjustments of € 1,101,345, as well as past due/overdrawn loans € 206,877 and unsecured loans to countries at risk € 23,865. As a result, the total amount of *non-performing* loans amounts to € 11,886,974.

The trend in doubtful loans to customers is adequately clarified in the specific tables of the notes to the financial

statements.

Among the balance sheet ratios we highlight the ratio between net loans and direct deposits equal to 29.31%, the ratio between net non-performing loans and net loans equal to 3.73% and finally R.O.E. equal to 15.37%. The bank's net equity as at 31/12/2017 amounted to € 34,320,774, showing a sharp increase compared to the previous year (+15.75%). At the same time, the net equity/assets ratio increased from 6% in 2016 to 7.35%.

The Regulatory Capital, as determined on the basis of the provisions of the Supervisory Authority, stands at € 30,152,670, against € 26,534,965 as of 31/12/2016. The Bank has assets suitable for hedging potential risks, highlighting a *total capital ratio* of 18.50%, which is therefore well above the required regulatory minimum of 11%.

The Bank holds a 10% interest in the Techno Science Park San Marino Italia Spa. In the context of a more general reorganization of the company itself, the Ecc.ma Camera will shortly repurchase the shares held by the San Marino banks, without any equity changes. The Bank also holds a 1% share in the Central Bank of the Republic of San Marino Spa. The assets of these investments, for a total of € 822,848, represent only 0.17% of the bank's assets.

The bank does not hold any own shares.

The profit obtained amounted to € 4,571,621, after making a provision to the fund for general financial risks of € 500,000 for capital strengthening purposes. This fund, which today totals € 5,000,000, has the function of hedging the general business risk to which the bank is exposed and, being similar to a capital reserve, it therefore represents a positive component of the base regulatory capital.

The financial result achieved, which is extremely satisfactory, takes on even greater importance in consideration of the downturn that continues to affect the reference market.

It should also be borne in mind that the above profit was achieved net of adjustments made to loans for a total of € 2,306,940.

Among the profit and loss account items that recorded the largest increases are the net income margin which went from € 5,707,258 in 2016 to € 7,504,821 (+31.49%), and the commission income which increased by 47.15% from € 1,635,545 in 2016 to € 2,380,113 (+45.52%). At the same time, administrative costs obviously increased by 17.68%, from € 4,696,837 in 2016 to € 5,387,842 in 2017.

SUBSEQUENT EVENTS

To date, there have been no events that took place after 31 December 2017 such as to make the current financial, equity and economic position substantially different from the one resulting from these financial statements, or such as to require adjustments or additional notes to the financial statements.

BUSINESS OUTLOOK

The Bank's activity will continue, as in previous years, characterized by volume development and management prudence. The results for the first quarter of 2018 show a substantial increase in the values of indirect deposits, with particular attention to the "managed" segment, offset by a modest decrease in direct deposits and loans. The banking product increased by around € 10.8 million. The growth trend, which characterized the year 2017, is confirmed by the relationships started with new customers.

RECLASSIFIED STATEMENT OF ASSETS AND LIABILITIES

	31/12/2017	Impact	31/12/2016	Impact
<i>Inter-bank loans</i>	96.289.813	20,62%	104.985.383	21,24%
<i>Customer loans</i>	96.104.121	20,58%	91.952.881	18,61%
<i>Debt and capital securities</i>	221.778.962	47,48%	242.685.038	49,11%
<i>Leased assets</i>	23.534.032	5,04%	23.450.695	4,75%
AF INTEREST-BEARING ASSETS	437.706.928	93,71%	463.073.997	93,70%
<i>Cash and cash equivalents</i>	1.707.930	0,37%	2.039.903	0,41%
<i>Holdings</i>	822.848	0,18%	822.848	0,17%
<i>Other assets</i>	20.965.017	4,49%	22.436.237	4,54%
<i>Accrued revenues and deferred expenses</i>	221.761	0,05%	245.691	0,05%
ANF NON-INTEREST-BEARING ASSETS	23.717.556	5,08%	25.544.679	5,17%
<i>Intangible fixed assets</i>	996.902	0,21%	938.427	0,19%
<i>Tangible fixed assets</i>	4.662.090	1,00%	4.657.531	0,94%
AR REAL ASSETS	5.658.992	1,21%	5.595.958	1,13%
TOTAL ASSETS	467.083.476		494.214.634	

	31/12/2017	Impact	31/12/2016	Impact
<i>Debts with banks</i>	1.540.814	0,33%	4.196.689	0,85%
<i>Debts with customers</i>	222.182.164	47,57%	210.933.819	42,68%
<i>Debts represented by securities</i>	185.317.071	39,68%	224.096.574	45,34%
PO BEARING LIABILITIES	409.040.049	87,57%	439.227.082	88,87%
<i>Other liabilities</i>	22.865.450	4,90%	24.401.428	4,94%
<i>Accrued expenses and deferred revenues</i>	151.394	0,03%	291.046	0,06%
<i>Staff retirement allowances</i>	304.567	0,07%	253.016	0,05%
<i>Risks and costs fund</i>	401.242	0,09%	392.910	0,08%
PNO NON-BEARING LIABILITIES	23.722.653	5,08%	25.338.400	5,13%
<i>Fund for general banking risks</i>	5.000.000	1,07%	4.500.000	0,91%
<i>Corporate capital</i>	20.000.000	4,28%	20.000.000	4,05%
<i>Reserves</i>	4.749.153	1,02%	2.897.444	0,59%
<i>Profits (Losses) for the financial year</i>	4.571.621	0,98%	2.251.708	0,46%
PAT ASSETS	34.320.774	7,35%	29.649.152	6,00%
TOTAL LIABILITIES	467.083.476		494.214.634	

RECLASSIFIED PROFIT AND LOSS ACCOUNT

	<i>31/12/2017</i>	<i>Variation</i>	<i>31/12/2016</i>
<i>Interests received and proceeds</i>	12.550.124	8,92%	11.522.348
<i>Interests paid and costs</i>	(5.045.303)	(13,24%)	(5.815.090)
MI INTEREST MARGIN	7.504.821	31,50%	5.707.258
<i>Commissions earned</i>	2.380.113	45,52%	1.635.545
<i>Commissions paid</i>	(746.039)	26,42%	(590.119)
CN NET COMMISSIONS	1.634.074	56,31%	1.045.426
<i>Dividends and other proceeds</i>	-	-	-
<i>Profits/Losses from financial operations</i>	2.547.212	(45,20%)	4.648.396
MINT INTERMEDIATION MARGIN	11.686.107	2,50%	11.401.080
<i>Administrative costs</i>	(5.387.842)	14,71%	(4.696.837)
<i>Value adjustments on intangible fixed assets</i>	(222.340)	34,19%	(165.694)
<i>Value adjustments on tangible fixed assets</i>	(6.012.891)	10,12%	(5.460.415)
<i>Other operating proceeds/costs</i>	6.170.891	10,42%	5.588.637
CO OPERATING COSTS	(5.452.182)	15,16%	(4.734.309)
RG GROSS OPERATING PROFIT	6.233.925	(6,49%)	6.666.771
<i>Funding of risk provisions</i>	-	(100,00%)	(50.000)
<i>Value adjustments on credits</i>	(2.306.940)	43,19%	(1.611.129)
<i>Value adjustments on financial activities</i>	-	(100,00%)	(500.000)
<i>Extraordinary proceeds/costs</i>	1.354.676	45,20%	932.963
<i>Variation to the fund for general banking risks</i>	(500.000)	(83,33%)	(3.000.000)
RL PROFIT FOR THE FINANCIAL YEAR	4.781.661	96,08%	2.438.605
<i>Financial taxes</i>	(210.040)	12,38%	(186.897)
RN PROFIT FOR THE FINANCIAL YEAR	4.571.621	103,03%	2.251.708

HIGHLIGHTS AND INDICATORS

Key balance sheet figures (in EUR)

	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Total assets	467.083.476	494.214.634	380.187.744	329.238.573
Net lending	119.638.153	115.403.576	106.583.670	94.934.639
Net non-performing loans	11.886.974	7.836.736	9.699.386	8.424.740
Provision for adjustments on doubtful loans	7.062.647	5.663.913	4.242.817	4.381.359
Direct collection	408.170.049	435.624.240	331.694.070	284.727.515
Indirect collection:	223.181.083	134.649.815	123.664.391	124.101.776
- Operated	141.453.635	71.017.315	59.574.158	61.214.967
- Managed	81.727.448	63.632.500	64.090.233	62.886.809
Net equity	34.320.774	29.649.152	24.397.444	23.724.821

Main structural and operational highlights

	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Number of employees	45	42	37	35
Counters	6	4	4	4

Main economic data (in EUR)

	31/12/2017	31/12/2016	31/12/2015	31/12/2014
Interest margin	7.504.821	5.707.258	4.514.449	3.740.675
Intermediation margin	11.686.107	11.401.080	6.526.094	6.361.579
Administrative costs	5.387.842	4.696.837	4.031.772	3.760.834
Personnel costs	3.664.362	3.184.586	2.771.900	2.593.841
Operating costs	5.452.182	4.734.309	4.022.866	3.852.909
Profit for the financial year	4.571.621	2.251.708	672.624	1.090.936

Structural ratios (%)

	31/12/2017	var.	31/12/2016	var.	31/12/2015	var.	31/12/2014
Direct collection / Total assets	87,39	(0,76)	88,14	0,90	87,24	0,76	86,48
Net lending / Total assets	25,61	2,26	23,35	(4,68)	28,03	(0,80)	28,83
Net lending / Direct collection	29,31	2,82	26,49	(5,64)	32,13	(1,21)	33,34
Managed collection / Indirect collection	63,38	17,28	46,10	9,23	36,87	(6,23)	43,10
Operated collection / Indirect collection	36,62	(17,28)	53,90	(9,23)	63,13	6,23	56,90
Net equity / Total assets	7,35	1,35	6,00	(0,42)	6,42	(0,79)	7,21
Net equity / Net lending	28,69	3,00	25,69	2,80	22,89	(2,10)	24,99

Indicators of the quality of credit (%)

	31/12/2017	var.	31/12/2016	var.	31/12/2015	var.	31/12/2014
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<i>Net NPLs / Net lending</i>	3,73	1,21	2,53	(0,78)	3,31	0,42	2,89
<i>Net problem loans / Net lending</i>	2,30	1,10	1,20	(0,65)	1,86	1,40	0,46
<i>Net doubtful credits / Net lending</i>	9,94	3,15	6,79	(2,31)	9,10	0,23	8,87
<i>Net NPLs / Net equity</i>	13,02	3,19	9,83	(4,61)	14,45	2,89	11,56

Profitability ratios (%)

	31/12/2017	var.	31/12/2016	var.	31/12/2015	var.	31/12/2014
<i>Interest margin / Intermediation margin</i>	64,22	14,16	50,06	(19,12)	69,18	10,38	58,80
<i>Interest margin / Interest-bearing assets</i>	1,71	0,48	1,23	(0,03)	1,27	0,05	1,22
<i>Intermediation margin / Interest-bearing assets</i>	2,67	0,21	2,46	0,63	1,83	(0,24)	2,07
<i>Administrative costs / Intermediation margin</i>	46,10	4,91	41,20	(20,58)	61,78	2,66	59,12
<i>Cost / Income [cost/income]</i>	46,66	5,13	41,53	(20,12)	61,64	1,07	60,57
<i>Net profit / (Net equity – Net profit) [R.O.E.]</i>	15,37	7,15	8,22	5,38	2,84	(1,98)	4,82
<i>Net profit / Total assets [R.O.A.]</i>	0,98	0,52	0,46	0,28	0,18	(0,15)	0,33

Efficiency ratios (in thousands of EUR)

	31/12/2017	var.	31/12/2016	var.	31/12/2015	var.	31/12/2014
<i>Total deposits per employee</i>	14.030	(2.281)	16.311	2.047	14.263	1.394	12.869
<i>Net loans per employee</i>	2.659	(89)	2.748	(133)	2.881	169	2.712
<i>Intermediation margin per employee</i>	260	(12)	271	95	176	(6)	182
<i>Average personnel costs</i>	81	6	76	1	75	1	74
<i>Total operating costs per employee</i>	121	8	113	4	109	(1)	110

STATEMENT OF CASH FLOW

	2017	2016
<i>Cash and cash equivalents at the beginning of the financial year</i>	2.039.903	2.088.302
<i>Funds generated and collected</i>	14.159.566	13.530.523
<i>Profit for the financial year</i>	4.571.621	2.251.708
<i>Value adjustments on:</i>	8.542.171	7.737.238
- <i>Tangible and intangible fixed assets</i>	6.235.231	5.626.109
- <i>Financial assets</i>	-	500.000
- <i>Customer loans</i>	2.306.940	1.611.129
<i>Provisions for:</i>	1.045.774	3.541.577
- <i>Severance pay</i>	304.567	253.016
- <i>Risks and charges</i>	241.207	288.561
- <i>General financial risks</i>	500.000	3.000.000
<i>Increase in funds collected</i>	11.248.345	108.531.442
<i>Debts with banks</i>	-	1.190.829
<i>Debts with customers</i>	11.248.345	86.894.526
<i>Debts evidenced by securities</i>	-	17.890.221
<i>Other liabilities</i>	-	2.373.276
<i>Accrued expenses and deferred revenues</i>	-	182.590
<i>Decrease in funds used</i>	31.096.796	59.809
<i>Inter-bank loans</i>	8.695.570	-
<i>Bonds, shares, quotas and other financial instruments</i>	20.906.076	-
<i>Other assets</i>	1.471.220	-
<i>Accrued revenues and deferred expenses</i>	23.930	59.809
<i>Total funds generated and collected</i>	56.504.707	122.121.774
<i>Use of funds generated from management operations</i>	885.891	297.837
<i>Distributed profit</i>	400.000	-
<i>Provisions for:</i>	485.891	297.837
- <i>Risks and charges</i>	232.875	60.757
- <i>Severance pay</i>	253.016	237.080
<i>Increase in funds collected</i>	12.839.782	121.872.336
<i>Inter-bank loans</i>	-	35.772.643
<i>Customers loans</i>	6.458.180	7.914.708
<i>Bonds, shares, quotas and other financial instruments</i>	-	62.455.134
<i>Holdings</i>	-	11.000
<i>Tangible and intangible fixed assets</i>	6.381.602	11.971.998
<i>Other assets</i>	-	3.746.853
<i>Decrease in funds used</i>	43.111.007	-
<i>Debts with banks</i>	2.655.875	-
<i>Debts represented by financial instruments</i>	38.779.503	-
<i>Other liabilities</i>	1.535.977	-
<i>Accrued expenses and deferred revenues</i>	139.652	-
<i>Total funds used and invested</i>	56.836.680	122.170.173
<i>Cash and cash equivalents at the end of the financial year</i>	1.707.930	2.039.903

Dear members, in consideration of the foregoing and of the results obtained, we invite you to approve these Financial Statements, proposing the distribution of € 1.000.000 (one million) to the shareholders and the capitalization of the remaining income of € 4.571.621,25, subject to the provisions required.

The Board of Directors
The President

FINANCIAL STATEMENTS

BALANCE SHEET - ASSETS

	31/12/2017	31/12/2016
10 Cash in hand and at central banks and postal authorities	1.707.930	2.039.903
20 Treasury securities and other financial instruments eligible for refinancing with central banks:	-	-
(a) treasury securities and other similar financial instruments	-	-
(b) other financial instruments eligible for refinancing with central banks	-	-
30 Inter-bank loans:	96.289.813	104.985.383
(a) sight credits	77.509.862	89.781.580
(b) other credits	18.779.951	15.203.803
40 Customer loans:	96.104.121	91.952.881
(a) sight credits	18.156.377	18.057.105
(b) other credits	77.947.744	73.895.776
50 Bonds and other debt securities:	220.219.009	241.676.419
(a) issued by public bodies	54.800.449	62.332.862
(b) issued by banks	125.726.429	131.195.421
(c) of financial undertakings other than credit institutions	12.761.488	14.896.703
(d) issued by other bodies	26.930.643	33.251.433
60 Shares, quotas and other capital securities	1.559.953	1.008.619
70 Holdings:	822.848	822.848
(a) financial companies	811.848	811.848
(b) non-financial companies	11.000	11.000
80 Holdings in group businesses:	-	-
(a) financial companies	-	-
(b) non-financial companies	-	-
90 Intangible fixed assets:	996.902	938.427
(a) leasing	-	-
- of which assets to be leased	-	-
(b) assets resulting from annulled lease contracts	-	-
- of which for breach by tenant	-	-
(c) assets available from credit recovery	-	-
- of which assets available for credit termination through settlement agreement	-	-
(d) goodwill	-	-
(e) start-up costs	-	-
(f) other intangible fixed assets	996.902	938.427
100 Tangible fixed assets:	28.196.122	28.108.226
(a) leasing	22.529.460	23.443.376
- of which assets to be leased	492.601	522.924
(b) assets resulting from annulled lease contracts	1.004.572	7.319
- of which for breach by tenant	1.004.572	7.319
(c) assets available from credit recovery	-	-
- of which assets available for credit termination through settlement agreement	-	-
(d) lands and buildings	3.868.451	3.954.409
(e) other tangible fixed assets	793.639	703.122

110	Subscribed share capital not paid-in	-	-
	- of which called capital	-	-
120	Own shares and quotas	-	-
130	Other assets	20.965.017	22.436.237
140	Accrued revenues and deferred expenses:	221.761	245.691
	(a) accrued revenues	89.972	90.681
	(b) deferred expenses	131.789	155.010
150	Total Assets	467.083.476	494.214.634

BALANCE SHEET - LIABILITIES

	31/12/2017	31/12/2016	
10	Debts with banks:	1.540.814	4.196.689
	(a) sight debts	200.736	1.322.547
	(b) term or notice debts	1.340.078	2.874.142
20	Debts with customers:	222.182.164	210.933.819
	(a) sight debts	205.111.102	172.968.213
	(b) term or notice debts	17.071.062	37.965.606
30	Debts represented by securities:	185.317.071	224.096.574
	(a) bonds	54.894.183	71.734.152
	(b) certificates of deposit	130.422.888	152.362.422
	(c) other securities	-	-
40	Other liabilities	22.865.450	24.401.428
	- of which outstanding cheques and similar securities	670.814	593.847
50	Accrued expenses and deferred revenues:	151.394	291.046
	(a) accrued expenses	126.103	269.777
	(b) deferred revenues	25.291	21.269
60	Staff retirement allowances	304.567	253.016
70	Risks and costs funds:	401.242	392.910
	(a) retirement and similar costs funds	-	-
	(b) tax funds	210.040	186.897
	(c) other funds	191.202	206.013
80	Allowances for possible loan losses	-	-
90	Fund for general banking risks	5.000.000	4.500.000
100	Subordinated liabilities	-	-
110	Corporate capital	20.000.000	20.000.000
120	Issue premium	-	-
130	Reserves:	4.749.153	2.897.444
	(a) ordinary reserves	1.029.673	579.332
	(b) reserve for shares or own shares	-	-
	(c) statutory reserves	1.985.858	818.112
	(d) other reserves	1.733.622	1.500.000
140	Revaluation reserve	-	-
150	Profits (Losses) carried forward	-	-
160	Profit (Loss) for the financial year	4.571.621	2.251.708
170	Total Liabilities	467.083.476	494.214.634

BALANCE SHEET - GUARANTEES AND COMMITMENTS

	<i>31/12/2017</i>	<i>31/12/2016</i>
10 Guarantees issued	18.388.994	6.622.852
- of which:		
(a) acceptances	133.356	354.705
(b) other guarantees	18.255.638	6.268.147
20 Commitments	62.411.579	13.282.818
- of which:		
(a) certain to be called on	20.613.688	6.014.142
of which financial instruments	1.020.778	4.157.142
(b) not certain to be called on	36.906.900	212.800
of which financial instruments	36.571.000	-
(c) other commitments	4.890.991	7.055.876
Total	80.800.573	19.905.670

PROFIT AND LOSS ACCOUNT

	<i>31/12/2017</i>	<i>31/12/2016</i>
10 <i>Interests received and proceeds:</i>	12.550.124	11.522.348
<i>(a) on loans to banks</i>	47.997	171.530
<i>(b) on customer loans</i>	4.911.635	4.879.399
<i>(c) on debt securities</i>	7.590.492	6.471.419
20 <i>Interests paid and costs:</i>	(5.045.303)	(5.815.090)
<i>(a) on amounts due from banks</i>	(99.282)	(41.594)
<i>(b) on debts with customers</i>	(978.536)	(1.098.326)
<i>(c) on debts represented by securities</i>	(3.967.485)	(4.675.170)
<i>- of which on subordinated liabilities</i>	-	-
30 <i>Dividends and other proceeds:</i>	-	-
<i>(a) on shares, quotas and other variable income</i>	-	-
<i>(b) on holdings</i>	-	-
<i>(c) on holdings in group businesses</i>	-	-
40 <i>Commissions earned</i>	2.380.113	1.635.545
50 <i>Commissions paid</i>	(746.039)	(590.119)
60 <i>Profits (Losses) from financial operations</i>	2.547.212	4.648.396
70 <i>Other operating proceeds</i>	6.170.891	5.588.637
80 <i>Other operating costs</i>	-	-
90 <i>Administrative costs:</i>	(5.387.842)	(4.696.837)
<i>(a) labour costs</i>	(3.664.362)	(3.184.586)
<i>- of which:</i>		
<i>- wages and salaries</i>	(2.430.665)	(2.126.442)
<i>- pension contributions</i>	(782.904)	(696.150)
<i>- retirement allowances</i>	(304.567)	(253.016)
<i>- severance indemnity-related costs</i>	-	-
<i>- administrators and mayors</i>	(125.411)	(100.260)
<i>- other personnel expenses</i>	(20.815)	(8.718)
<i>(b) other administrative costs</i>	(1.723.480)	(1.512.251)
100 <i>Value adjustments on intangible fixed assets</i>	(222.340)	(165.694)
110 <i>Value adjustments on tangible fixed assets</i>	(6.012.891)	(5.460.415)
120 <i>Provisions for risks and costs</i>	-	(50.000)
130 <i>Provisions to allowances for possible loan losses</i>	-	-
140 <i>Value adjustments on credits and provisions for guarantees and commitments</i>	(2.604.519)	(2.276.780)
150 <i>Value recoveries on credits and provisions for guarantees and commitments</i>	297.579	665.651
160 <i>Value adjustments on financial assets</i>	-	(500.000)
170 <i>Value recoveries on financial assets</i>	-	-
180 <i>Profits (Losses) on ordinary activities</i>	3.926.985	4.505.642
190 <i>Extraordinary proceeds</i>	1.689.912	996.744
200 <i>Extraordinary costs</i>	(335.236)	(63.781)
210 <i>Extraordinary Profits (Losses)</i>	1.354.676	932.963
220 <i>Income tax for the financial year</i>	(210.040)	(186.897)
230 <i>Variation to the Fund for general banking risks</i>	(500.000)	(3.000.000)
240 <i>Profits (Losses) for the financial year</i>	4.571.621	2.251.708

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

Section A - ACCOUNTING PRINCIPLES

The financial statements for the year ended 31 December 2017 have been prepared in compliance with the provisions of Regulation no. 2016/02 on the preparation of the financial statements of banks issued on 23 September 2008 (and updated on 2 February 2015 and 31 March 2018) by the Central Bank of the Republic of San Marino, pursuant to Article 39 of Law no. 165 of 17 November 2005.

The financial statements consist of the Statement of Assets and Liabilities, the Guarantees and Commitments, the Profit and Loss Account and the Explanatory Notes. The financial statements are accompanied by the Directors' report on the performance of operations, the report of the Board of Statutory Auditors and the report of the Independent Auditors.

The financial statements have been drawn up clearly and truthfully and correctly represent the equity and financial situation, and the economic result for the year.

The values shown are expressed in euros and are compared with those of the previous year. Furthermore, the provisions issued by the Central Bank Supervision Division have been adopted.

The algebraic sum of the differences deriving from the rounding up of the items is included among the "other assets/liabilities" for the Statement of Assets and Liabilities and among the "extraordinary income/expenses" for the Profit and Loss Account.

The various items of the Financial Statements correspond to the company accounts which are drafted respecting the various administrative facts that occurred during the year.

The truthful and correct representation is carried out according to the provisions of the law; in the event of a derogation, the reasons and the relative influence on the representation of the balance sheet and the economic result are explained in the explanatory notes.

In order to improve the level of clarity and truthfulness of the financial statements, the accounts have been drawn up favoring, where possible, the representation of substance over form. In order to allow a representation of the financial situation that is more in line with the actual financial movements of the bank's balance sheet items, the "on-balance-sheet" accounts are drafted favoring, where possible, the time of settlement of transactions over negotiation.

The recognition of income and expenses takes place in compliance with the accrual principle, regardless of the date of collection and payment, and the principle of prudence. This last principle is privileged, provided that there is no formation of non-explicit reserves.

In order not to reduce the information content of the balance sheet data, no offsetting was made for the purpose of implementing the principles of truth and clarity.

The depreciation and amortization of the assets is carried out exclusively through the direct downward adjustment of the value of these assets.

Section 1 - Illustration of accounting principles

Balance sheet and off-balance sheet assets and liabilities are valued according to the principle of prudence and on a going concern basis.

Cash and cash equivalents

This item includes currencies with legal tender, including banknotes and foreign coins, money orders, bankers' orders and postal orders, as well as equated securities, coupons and on-demand securities. Included are also collectable coins and medals as well as gold, silver and stamped values.

Inter-bank loans

This item shows all loans to banks, whatever their technical form is, except for those represented by financial instruments, which require posting under item no. 40 "Bonds and other fixed income securities" and are booked at their estimated realizable value.

Loans to banks also contain the counter value of carry-over operations and repurchase agreements for which the transferee bank has a sale back obligation to the selling bank on the maturity of the securities. The amount posted is equal to the spot price paid. The spot transferred assets continue to be shown in the portfolio of the selling bank.

Customer loans

This item shows the loans deriving from financing contracts with customers, whatever their technical form is, on condition that, and to the extent to which the loan was effectively granted. The loans that have not been disbursed yet, even though recorded in the accounts on the "contracting date", are not included in this item, but in the item concerning commitments. The loans represented by financial instruments are recorded in item 40 "Bonds and other fixed-income securities".

The partial contributions received for matured or disputed loans are directly reduced by the value of the same loans. The

contributions received in advance for loans not yet matured must be posted under the liability item “amounts due to customers” or “other liabilities”, depending on whether these contributions are interest bearing or not. This item also includes loans deriving from financial lease agreements for expired and not yet received rental charges and the connected loans for default interest.

“Loans to customers” comprise the counter value of carry-over operations and repurchase agreements in which the customer is obliged to the reverse repurchase of the securities spot transferred to the bank. The amount posted is equal to the spot price paid.

The loans are recorded in the financial statements at their estimated realizable value, calculated on the basis of the borrower’s state of solvency, as well as the overall difficulty in servicing debt in countries where the borrowers reside. The estimated realizable value is calculated on the basis of a valuation of all factors that characterize the history of the relationships in question, supported by assets, economic and financial information on borrowers, the nature of the economic activity performed and any guarantees issued.

More specifically:

- *Non-performing loans*: include the full exposure of cash and off-balance sheet loans, regardless of the expectation or otherwise of possible losses, made to borrowers in a state of insolvency, even if not legally ascertained, or in similar situations. This item represents the full exposure, including interest recorded and the expenses incurred for collection activities, adjusted by the portion of interest that is considered unrecoverable. Non-performing loans are valued analyzing the likelihood of their recovery on an analytical basis and calculating the relative presumed loss.

- *Impaired loans*: are loans to borrowers suffering temporary difficulties, which are likely to be overcome in an acceptable period of time. They are valued on an analytical basis. Furthermore, by virtue of Regulation no. 2008/02, impaired loans now also include loans that have fallen due and have not been repaid, even only partially, as follows:

3 six-monthly instalments or 5 quarterly instalments for loans with an original term exceeding 36 months

2 six-monthly instalments or 3 quarterly instalments for loans with a term equal to or less than 36 months

If the depreciation plan for the loan envisaged monthly instalments, the number of instalments due and unpaid considered is as follows:

7 instalments for loans with a term exceeding 36 months

5 instalments for loans with a term of less than 36 months.

- *Past due and/or overdrawn loans*: refer to exposures towards customers with individual cash and off-balance sheet loans that, unlike impaired or non-performing loans, are past due or overdrawn in a continuative manner for more than 90 days at the reference date; if this exposure represents 20% of the overall exposure, these commitments are subject to arbitrary write-down.

- *Loans to at-risk countries*: refer to exposures to borrowers coming from Zone B countries; this category represents a residual part of the commitments and was consequently subject to arbitrary write-down.

- *Restructured loans*: cash and “off-balance sheet” exposures for which the bank, due to the worsening of debtor’s economic-financial conditions, allows to change the original contract conditions (for example, terms rescheduling, debt and/or interest reduction, etc.) resulted in a loss. Exposures towards companies expected to close (e.g. for voluntary liquidation or similar situations) are not included. Anomalous exposures especially concerning the Country risk are also excluded.

- *Restructured loans to ex Gruppo Delta*: refer to all loans subject to the Delta Group restructuring agreement, pursuant to article 182 bis of Italian Bankruptcy Law. Given the specific nature of the exposures in question (“Plusvalore Spa” and “Carifin Italia Spa”, both companies are in liquidation), these loans do not fall within any of the categories under Regulation no. 2016/02 and therefore, a special category has been created in the Explanatory Notes.

- *Performing loans*: these are written-down on an overall basis, in order to guarantee a hedging from the so-called “physiological risk”; the write-down is made by decreasing the value booked in the statement of assets.

Bonds and other debt financial instruments

The own securities portfolio is comprised of investment securities held for investment properties and trading securities held for treasury and trading.

This item shows all the financial debt instruments in the bank’s portfolio, both long- and short-term, such as government securities, bonds, certificates of deposit and the other fixed or variable income financial instruments.

Valuations have been made in accordance with Regulation no. 2008/02 of the CBSM on the preparation of financial statements of banks.

Stocks, shares and other capital financial instruments

This item includes all financial instruments having the nature of trading capital securities (stocks and shares). It also comprises CIUs.

Shareholdings

This item includes all investments, represented or not by securities, in the capital of other companies, creating a long-term relationship with the bank.

Investment portfolio

The financial instruments in the investment portfolio, including all financial instruments intended to be held for a long term by the bank (up to maturity, except in exceptional events), listed and unlisted, are valued at purchase cost. They are written down in the event of any lasting deterioration in the debt repayment ability of the issuer, as well as of the related country risk. These write-downs will be eliminated once the causes that gave rise to them no longer subsist. The same evaluation criteria mentioned above are applied to financial instruments, listed and not listed on regulated markets, representing "off-balance sheet" operations related to the investment portfolio, apply the same evaluation criteria mentioned above.

The multi-year accrued income and/or expenses are detected depending on the result obtained from the difference between the book cost and the nominal redemption value divided by the remaining life of the security.

Trading portfolio

This portfolio includes all securities held for investment but having trading purposes to meet treasury and trading needs. The financial instruments in the trading portfolio, listed and not listed on regulated markets, are valued at marked cost. For listed securities, the market value is represented by the listed value. For unlisted securities, the market value is determined based on the value of similar listed and unlisted instruments or, where that is not possible, on the basis of reasonable estimates.

The determination of the value of trading securities is made with reference to the value determined at the balance sheet date.

Capital gains and losses, arising from the comparison between the market value at the date of December 31, 2017 with the last book values, have been recorded in the profit and loss account.

Intangible fixed assets

Intangible fixed assets are recorded at the original purchase cost, adjusted directly with the depreciation made, systematically, based on the estimated residual life. The rate of annual ordinary depreciation is 20%. As regards intangible fixed assets related to contracts, depreciation has been calculated based on the duration of the latter.

Tangible fixed assets

Tangible fixed assets are recorded at purchase cost, inclusive of additional charges and any other incremental expenses.

Assets are depreciated systematically by directly adjusting their value using the rates established by Captains Regent Decree no. 3 of 20 January 1986, deemed appropriate and representative of the value corresponding to the residual useful life of the asset. If assets demonstrate an impairment value which is lower than its cost, this is written down. Should the assumptions supporting the original write-down no longer subsist, write-downs made in previous periods are not maintained.

It should be noted that on 18/05/2012 with letter Prot. N. 5584, the Tax Office of the Republic of San Marino authorized the request of the bank to use depreciation rates equivalent to half of the ordinary rate in relation to all durable goods acquired during the year to strengthen the technical infrastructure of the Institute, thus taking into account the actual useful life of assets.

Leasing

The amount of assets subject to financial lease is recorded in asset item 90 "Tangible fixed assets". This category includes assets awaiting lease (purchased by the bank on a leasing contract already concluded with the customers) and assets held in respect of terminated contracts, the amount of which is detailed in a special sub-item, to distinguish the component attributable to resolution situations for breach of the tenant. Loans relative to financial lease transactions are calculated according to the financial methodology, as established by Law no. 115 of 19/11/2001, and recorded in the assets as the algebraic balance obtained from the difference between the financed capital or historic cost of the asset and the relative accumulated depreciation fund replenished by the capital share of the instalments accrued.

The instalments accrued during the year are entered under item no. 10 of the profit and loss account "interest income and similar revenues for the part regarding the interest, and under items 70 "Other operating income" and 110 "Tangible fixed asset adjustments" for the part regarding the capital, for the same amount with a neutral effect on the operating result.

Assets and liabilities in foreign currency

Assets and liabilities denominated in foreign currency and off-balance sheet transactions are recognized at the spot exchange rate in effect at year end, according to art. III.II.6 of Regulation no. 2008/02. The effect of such valuation is recorded in the profit and loss account.

Off-balance sheet transactions in foreign currency are recognized at the spot exchange rate in effect at year end, if such regards spot transactions which have not been settled or forward transactions to “hedge” spot transactions. In the latter case, the differentials between forward exchange rate and spot exchange rate of the expiring contracts are recorded in the profit and loss account on an accrual basis and include the interests generated by covered assets and liabilities: this is to be recorded in the profit and loss account item 10-20 “Interest income (expenses) and similar revenues (charges)”.

“Off-balance sheet” transactions (other than those on currencies)

Off-balance sheet transactions are recognized according to the same criterion adopted for assets/liabilities recorded in the financial statements, depending on whether these are posted as fixed assets or current assets.

Any trading contracts for securities (spot or forward) which have not been settled at year end are valued using criteria that are consistent with those adopted for value portfolio securities.

Debts with banks

This item shows all the amounts due to banks whatever their technical form, except for those represented by financial instruments which require to be posted under item no. 30.

The amounts due to banks include the equivalent value of the financial instruments received by the selling bank as spot in repo and carry-over transactions for which the transferee bank is obliged to forward resale. Such items are recorded at par value.

Debts with customers

This item shows all the amounts due to customers whatever their technical form, except for those represented by financial instruments that require posting under item no. 30.

The amounts due to banks include the equivalent value of the financial instruments received by the selling bank as spot in repo and carry-over transactions for which the transferee bank is obliged to forward resale. Such items are recorded at par value.

Debts represented by financial instruments

Debts represented by financial instruments are recorded at par value.

In addition to bonds and certificates of deposit, this item includes, under the sub-item “other financial instruments”, its traced acceptances and the atypical securities according to article II.III.8 of regulation 2007/07. Debt financial instruments which are past due but have not yet been repaid upon the reference date are also included.

“Repurchasing agreements” on securities with customers, require the obligation for the transferee to sell back the securities of the operation, are shown as “Amounts due to customers b) term or notice” and are recorded at the “spot” value, while the underlying securities are represented in asset postings under item “Bonds and other debt securities”.

Other assets and Other liabilities

This item contains all the assets and liabilities that are not associated to other assets or liability items. It also includes any (negative or positive) balances for items in transit and suspended that are not attributed to the relevant accounts. Payment means issued by the banks, such as bankers’ drafts, are posted under other liabilities.

Accruals and Deferrals

These are recognized according to the same accrual principle also adopted for the recognition of all income and charges, the portions of interest income and expense and other income and expenses.

In compliance with the amendments made to article IV.I.13 of the Regulation, the bank directly adjusts the asset accounts or liability accounts, increasing or decreasing them, in the following cases:

- a) in asset accounts, in relation to interest accrued on loans and securities;
- b) in liability accounts, in relation to interest accrued on payables, represented or not represented by securities, which include “advanced” interest, including the issue discount for bonds and certificates of deposit.

Severance

The item shows the total amount of severance pay shares for all the employees of the bank

Provisions for risks and charges

These provisions exclusively cover losses, changes or payables of a set nature, of probable or certain existence, but which have no set amount or date of occurrence at year end.

They mainly include:

- provisions made to cover tax liabilities, calculated on the basis of a realistic forecast of the tax burden, in relation to the tax regulations in force;

- provisions to cover possible liabilities of which the exact amount or date of occurrence is not known.

General banking risk reserve

The function of this item General banking risk reserve is to cover general business risks to which the bank is exposed. Being similar to a capital reserve, it is a positive component of the basic regulatory capital base (see article VII.II.2 of Regulation no. 2007/07). The balance of the allocations and withdrawals (net change) recorded by the fund during the year is recorded, with the appropriate algebraic sign, under item 230 of the profit and loss account "Variation in the general banking risk fund". Therefore, the constitution, replenishment and utilization of the fund cannot take place when allocating the profit for the year.

Guarantees

This item includes all the personal guarantees presented by the bank as well as the assets provided as guarantee for third-party obligations.

Commitments

This item includes all the irrevocable commitments of specific or unspecific use, which may lead to credit risks (e.g. the margins available on irrevocable credit lines granted to customers or banks).

The commitments arising from derivative contracts are valued on the basis of their notional value.

Guarantees given and commitments are recorded as follows:

- deposit and loan contracts based on the amount to be paid;
- irrevocable lines of credit based on the residual usable amount;
- other commitments and guarantees based on the value of the contractual commitment undertaken by the bank.

Section 2 - Adjustments and provisions

No provisions and value adjustments were made solely for tax purposes.

Section B - INFORMATION ON THE STATEMENTS OF ASSETS AND LIABILITIES - ASSETS

1. Cash and cash equivalents with central banks and postal agencies (item 10 of assets)

Table 1.1 | Composition of item 10 “Cash and cash equivalents with central banks and postal agencies”

	31/12/2017	31/12/2016	Variations	
			Amount	%
<i>Cash and cash equivalents with central banks and postal agencies:</i>				
- Banknotes and coins	1.639.902	1.969.728	(329.826)	(16,74%)
- Cheques	500	410	90	21,95%
- Foreign currency cash	66.827	66.922	(95)	(0,14%)
- Other	700	2.843	(2.143)	(75,38%)
Total	1.707.929	2.039.903	(331.974)	(16,27%)

Item 10 “Cash and cash equivalents with central banks and postal agencies” includes all the Euro and foreign currency tickets and coins in the six branches of the Institute as well as checks and bills not yet sent to the counterparties.

2. Treasury securities and other financial instruments eligible for refinancing with central banks (item 20 of assets)

Table 2.1 | Composition of item 20 “Treasury securities and other financial instruments eligible for refinancing with central banks”

	31/12/2017	31/12/2016	Variations	
			Amount	%
Treasury securities and other similar financial instruments	-	-	-	-
Other financial instruments eligible for refinancing with central banks	-	-	-	-
Total	-	-	-	-

Table not valued as data not present.

3. Inter-bank loans (item 30 of assets)

Table 3.1 | Composition of item 30 “Inter-bank loans”

	31/12/2017			31/12/2016			Variations	
	Euros	Foreign currency	Total	Euros	Foreign currency	Total	Amount	%
Sight credits:	72.356.837	5.153.025	77.509.862	88.274.238	1.507.342	89.781.580	(12.271.718)	(13,67%)
- Current accounts for performed services	72.356.837	5.153.025	77.509.862	63.504.807	1.507.342	65.012.149	12.497.713	19,22%
- Current accounts	-	-	-	-	-	-	-	-
- Other	-	-	-	24.769.431	-	24.769.431	(24.769.431)	(100,00%)
Other credits:	17.860.569	919.382	18.779.951	14.161.643	1.042.160	15.203.803	3.576.148	23,52%
- Terms deposits	17.860.569	919.382	18.779.951	14.161.643	1.042.160	15.203.803	3.576.148	23,52%
- Current accounts	-	-	-	-	-	-	-	-
- Repos and reverse repos	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
Total	90.217.406	6.072.407	96.289.813	102.435.881	2.549.502	104.985.383	(8.695.570)	(8,28%)

The item 30 “Inter-bank loans” includes all amounts due from banks, regardless of their technical form, with the exception of loans represented by securities which are returned to item 50 of assets. These credits are shown at their estimated realizable value.

The item “On demand” includes all correspondence current accounts and free deposits held with other credit institutions in San Marino and abroad both in Euro and in foreign currency with the distinction of those opened for services rendered.

Table 3.2 | Composition of cash credits to banks

	31/12/2017			31/12/2016		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
Doubtful loans:	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-
- Non-performing loans	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-
- Past due / overrun loans	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-
- Restructured loans	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-
- Expired / overdue loans	-	-	-	-	-	-
of which deriving from financial leasing transactions	-	-	-	-	-	-
- Unsecured loans to countries at risk	-	-	-	-	-	-
Performing loans	96.289.813	-	96.289.813	104.985.383	-	104.985.383
of which deriving from financial leasing transactions	-	-	-	-	-	-
Total	96.289.813	-	96.289.813	104.985.383	-	104.985.383

The credits shown under “Performing loans” are considered collectable and therefore no further adjustments have been made.

Table 3.3 | Changes in doubtful loans to banks

	<i>Non-performing loans</i>	<i>Substandard loans</i>	<i>Restructured loans</i>	<i>Past due / overrun loans</i>	<i>Unsecured loans to countries at risk</i>
<i>Opening gross exposure</i>	-	-	-	-	-
<i>of which for past-due interests</i>	-	-	-	-	-
Increases:	-	-	-	-	-
- <i>Inflow from loans</i>	-	-	-	-	-
- <i>Past-due interests</i>	-	-	-	-	-
- <i>Other increases</i>	-	-	-	-	-
Decreases:	-	-	-	-	-
- <i>Outflow to loans</i>	-	-	-	-	-
- <i>Write-offs</i>	-	-	-	-	-
- <i>Collections</i>	-	-	-	-	-
- <i>Arising from sales</i>	-	-	-	-	-
- <i>Other decreases</i>	-	-	-	-	-
<i>Closing gross exposure at 31/12/2017</i>	-	-	-	-	-
<i>of which for past-due interests</i>	-	-	-	-	-

Table not valued as data not present.

Table 3.4 | Changes in total value adjustments on “Inter-bank loans”

	<i>Non-performing loans</i>	<i>Substandard loans</i>	<i>Restructured loans</i>	<i>Past due / overrun loans</i>	<i>Unsecured loans to countries at risk</i>	<i>Performing loans</i>
<i>Opening total adjustments</i>	-	-	-	-	-	-
Increases:	-	-	-	-	-	-
- <i>Value adjustments</i>	-	-	-	-	-	-
<i>of which for past-due interests</i>	-	-	-	-	-	-
- <i>Utilization of Funds for possible loan losses</i>	-	-	-	-	-	-
- <i>Transfers from other categories of loans</i>	-	-	-	-	-	-
- <i>Other increases</i>	-	-	-	-	-	-
Decreases:	-	-	-	-	-	-
- <i>Value recoveries from valuation</i>	-	-	-	-	-	-
<i>of which for past-due interests</i>	-	-	-	-	-	-
- <i>Value recoveries from collection</i>	-	-	-	-	-	-
<i>of which for past-due interests</i>	-	-	-	-	-	-
- <i>Write-offs</i>	-	-	-	-	-	-
- <i>Transfers from other categories of loans</i>	-	-	-	-	-	-
- <i>Other decreases</i>	-	-	-	-	-	-
Closing total adjustments at 31/12/2017	-	-	-	-	-	-
<i>of which for past-due interests</i>	-	-	-	-	-	-

Table not valued as data not present.

Table 3.5 | Composition of “Inter-bank loans” according to residual life

	<i>31/12/2017</i>	<i>31/12/2016</i>
<i>Sight</i>	<i>77.509.862</i>	<i>103.843.223</i>
<i>Up to 3 months</i>	<i>17.690.512</i>	<i>-</i>
<i>From 3 months to 6 months</i>	<i>60.057</i>	<i>-</i>
<i>From 6 months to 1 year</i>	<i>-</i>	<i>-</i>
<i>From 1 year to 18 months</i>	<i>-</i>	<i>-</i>
<i>From 18 months to 2 years</i>	<i>-</i>	<i>-</i>
<i>From 2 years to 5 years</i>	<i>-</i>	<i>-</i>
<i>More than 5 years</i>	<i>-</i>	<i>-</i>
<i>No term</i>	<i>1.029.382</i>	<i>1.142.160</i>
<i>Total</i>	<i>96.289.813</i>	<i>104.985.383</i>

The residual life corresponds to the time interval between the date of the financial statements and the contractual maturity of each transaction. In the case of bound operations, the deadline does not exceed 6 months. The guarantee deposit for credit card and POS transactions requested by Mastercard as Principal Member is included in item “No term”

4. Customer loans (item 40 of assets)

Table 4.1 | Composition if item 40 “Customer loans”

	<i>31/12/2017</i>			<i>31/12/2016</i>			<i>Variations</i>	
	<i>Euros</i>	<i>Foreign currency</i>	<i>Total</i>	<i>Euros</i>	<i>Foreign currency</i>	<i>Total</i>	<i>Amount</i>	<i>%</i>
<i>Sight /Non-revolving loans:</i>	<i>18.156.129</i>	<i>248</i>	<i>18.156.377</i>	<i>18.057.050</i>	<i>55</i>	<i>18.057.105</i>	<i>99.272</i>	<i>0,55%</i>
- <i>Current accounts</i>	<i>11.958.048</i>	<i>248</i>	<i>11.958.296</i>	<i>13.494.707</i>	<i>55</i>	<i>13.494.762</i>	<i>(1.536.466)</i>	<i>(11,39%)</i>
- <i>Other</i>	<i>6.198.081</i>	<i>-</i>	<i>6.198.081</i>	<i>4.562.343</i>	<i>-</i>	<i>4.562.343</i>	<i>1.635.738</i>	<i>35,85%</i>
<i>Other loans:</i>	<i>77.802.202</i>	<i>145.542</i>	<i>77.947.744</i>	<i>72.913.777</i>	<i>981.999</i>	<i>73.895.776</i>	<i>4.051.968</i>	<i>5,48%</i>
- <i>Current accounts</i>	<i>4.755.177</i>	<i>-</i>	<i>4.755.177</i>	<i>3.757.657</i>	<i>-</i>	<i>3.757.657</i>	<i>997.520</i>	<i>26,55%</i>
- <i>Discounted portfolio and subject to collection</i>	<i>6.917.630</i>	<i>-</i>	<i>6.917.630</i>	<i>8.363.013</i>	<i>-</i>	<i>8.363.013</i>	<i>(1.445.383)</i>	<i>(17,28%)</i>
- <i>Repos and reverse repos</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
- <i>Other loans</i>	<i>66.129.395</i>	<i>145.542</i>	<i>66.274.937</i>	<i>60.793.107</i>	<i>981.999</i>	<i>61.775.106</i>	<i>4.499.831</i>	<i>7,28%</i>
<i>Total</i>	<i>95.958.331</i>	<i>145.790</i>	<i>96.104.121</i>	<i>90.970.827</i>	<i>982.054</i>	<i>91.952.881</i>	<i>4.151.240</i>	<i>4,51%</i>

The item 40 “Customer loans” is the collection of credits arising from loan agreements entered into with customers, whatever is their technical form, and are stated at their estimated realizable value.

The items “Current accounts (sight/other)” include the summation of the debt balances on current accounts, including interest, in the form of current account according to the maturity of the loan itself.

The items “Other”, “Discounted portfolio and subject to collection” and “Other loans” include credits arising from financing import / export transactions, open positions for portfolio advances, mortgage relationships with amortization schedule, grants and doubtful loans.

Table 4.2 | Secured customer loans

	<i>31/12/2017</i>	<i>31/12/2016</i>	<i>Amount</i>	<i>Variations</i> <i>%</i>
<i>From mortgages</i>	<i>35.706.671</i>	<i>27.802.738</i>	<i>7.903.933</i>	<i>28,43%</i>
<i>From pledges on:</i>	<i>855.524</i>	<i>405.156</i>	<i>450.368</i>	<i>111,16%</i>
- <i>Cash deposits</i>	<i>355.752</i>	<i>232.923</i>	<i>122.829</i>	<i>52,73%</i>
- <i>Securities</i>	<i>492.770</i>	<i>155.961</i>	<i>336.809</i>	<i>215,96%</i>
- <i>Other valuables</i>	<i>7.002</i>	<i>16.272</i>	<i>(9.270)</i>	<i>(56,97%)</i>
<i>From guarantees by:</i>	<i>23.810.355</i>	<i>25.317.997</i>	<i>(1.507.642)</i>	<i>(5,95%)</i>
- <i>Public administrations</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
- <i>Monetary financial institutions</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
- <i>Investment funds other than money market funds</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
- <i>Other financial companies</i>	<i>17.719</i>	<i>25.698</i>	<i>(7.979)</i>	<i>(31,05%)</i>
- <i>Insurance companies</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
- <i>Pension funds</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
- <i>Non-financial companies</i>	<i>1.331.122</i>	<i>1.234.606</i>	<i>96.516</i>	<i>7,82%</i>
- <i>Households and non-profit institutions serving households:</i>	<i>22.461.514</i>	<i>24.057.693</i>	<i>(1.596.179)</i>	<i>(6,63%)</i>
- <i>Consumer and producer families</i>	<i>22.461.514</i>	<i>24.057.693</i>	<i>(1.596.179)</i>	<i>(6,63%)</i>
- <i>Inputs from other categories of doubtful loans</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
- <i>Other</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Total	60.372.550	53.525.891	6.846.659	12,79%

The table shows the total amount of "Customer loans" that are assisted, in whole or in part, by real and personal guarantees. If a credit is partially guaranteed, only the amount of loans guaranteed has been shown.

Table 4.3 | Composition of cash credits to customers

	31/12/2017			31/12/2016		
	Gross exposure	Overall total adjustments	Net exposure	Gross exposure	Overall total adjustments	Net exposure
Doubtful loans:	18.484.605	6.597.631	11.886.974	13.177.365	5.340.629	7.836.736
<i>of which from financial leases</i>	3.470.988	505.575	2.965.413	242.786	26.924	215.862
- Non-performing loans	9.431.351	4.963.576	4.467.775	6.414.190	3.499.092	2.915.098
<i>of which from financial leases</i>	1.255.442	215.091	1.040.351	11.670	4.244	7.426
- Substandard loans	3.279.177	522.248	2.756.929	2.484.046	1.094.518	1.389.528
<i>of which from financial leases</i>	2.215.546	290.484	1.925.062	231.116	22.680	208.436
- Restructured loans	5.543.345	1.101.345	4.442.000	3.983.259	732.594	3.250.665
<i>of which credits to ex Gruppo Delta</i>	3.123.136	980.335	2.142.801	3.983.259	732.594	3.250.665
<i>of which from financial leases</i>	-	-	-	-	-	-
- Past due / overrun loans	206.867	10.343	196.524	288.024	14.401	273.623
<i>of which from financial leases</i>	-	-	-	-	-	-
- Unsecured loans to countries at risk	23.865	119	23.746	7.846	24	7.822
Performing loans	108.216.195	465.016	107.751.179	107.890.124	323.284	107.566.840
<i>of which from financial leases</i>	21.334.229	104.508	21.229.721	23.645.740	70.927	23.574.813
Total	126.700.800	7.062.647	119.638.153	121.067.489	5.663.913	115.403.576

The table shows the situation of cash credits for each category of credit, as dictated by Art. 1.1.2 of Regulation no. 2007-07. The table also includes credit deriving from financial leases; therefore, the final net exposure coincides with the sum of items no. 40 "Customer loans", no. 90 "Intangible fixed assets" (a + b) and no. 100 "Tangible fixed assets" (a + b). The write-backs for general risks on credits equal 0.5% of the same credits. The institute proceeded to the classification of receivables claimed to the ex Gruppo Delta among the restructured loans giving specific reports by creating the appropriate sub-item.

Table 4.4 | Changes in doubtful loans to customers

	Non-performing loans	Substandard loans	Restructured loans	Past due / overrun loans	Unsecured loans to countries at risk
Opening gross exposure	6.414.190	2.484.046	3.983.259	288.024	7.846
of which for past-due interests	142.312	2.802	-	78	-
Increases:	3.795.923	4.328.090	2.622.537	399.581	975.896
- Inflow from performing loans	926.277	2.694.952	2.476.587	216.791	-
- Inputs from other categories of doubtful loans	956.101	-	-	-	-
- Past-due interests	136.703	10.947	2.612	709	-
- Other increases	1.776.842	1.622.191	143.338	182.081	975.896
Decreases:	778.762	3.532.959	1.062.451	480.738	959.877
- Outflow to loans	-	288.615	-	13	79
- Outputs to other categories of doubtful loans	-	694.240	-	261.861	-
- Write-offs	174.733	879	732.594	-	-
- Collections	604.029	1.978.139	328.735	202.337	959.798
- Arising from sales	-	-	-	-	-
- Other decreases	-	571.086	1.122	16.527	-
Closing gross exposure at 31/12/2017	9.431.351	3.279.177	5.543.345	206.867	23.865
of which for past-due interests	261.831	3.111	2.612	192	-

This table provides a representation of the up and down changes that occurred during the financial year in the amount of gross exposures of doubtful loans.

During 2017, the Institute has revised in full all amounts receivable in an analytical way, providing for their reclassification taking into account the risk involved.

Table 4.5 | Changes in total value adjustments on customer loans

	Non-performing loans	Substandard loans	Restructured loans	Past due / overrun loans	Unsecured loans to countries at risk	Performing loans
Opening total adjustments	3.499.092	1.094.518	732.594	14.401	24	323.284
Increases:	1.801.584	420.661	1.101.345	10.317	99	245.299
- Value adjustments	882.771	412.113	1.095.019	9.652	99	204.865
of which for past-due interests	133.185	-	-	-	-	-
- Utilization of funds for possible loans	-	-	-	-	-	-
- Transfers from other categories of loans	918.298	8.548	6.326	665	-	40.434
- Other increases	515	-	-	-	-	-
Decreases:	337.100	992.931	732.594	14.375	4	103.567
- Value recoveries	55.118	2.495	-	1.334	3	81.798
of which for past-due interests	-	-	-	-	-	-
- Value recoveries from collection	106.734	50.097	-	-	-	-
of which for past-due interests	11.899	-	-	-	-	-
- Write-offs	174.733	879	732.594	-	-	-
- Transfers to other categories of loans	-	939.460	-	13.041	1	21.769
- Other decreases	515	-	-	-	-	-
Closing total adjustments at 31/12/2017	4.963.576	522.248	1.101.345	10.343	119	465.016
of which for past-due interests	261.831	-	-	-	-	-

This table shows the changes that occurred during the year in the amount of the total value adjustments on cash.

Table 4.6 | Composition of “Customer loans” according to residual life

	<i>31/12/2017</i>	<i>31/12/2016</i>
<i>Sight</i>	16.551.456	16.555.673
<i>Up to 3 months</i>	14.416.064	16.021.115
<i>From 3 months to 6 months</i>	6.872.484	7.016.060
<i>From 6 months to 1 year</i>	6.911.145	5.581.472
<i>From 1 year to 18 months</i>	4.682.769	4.453.411
<i>From 18 months to 2 years</i>	4.960.771	5.985.331
<i>From 2 years to 5 years</i>	19.944.014	19.376.428
<i>More than 5 years</i>	40.639.358	37.355.408
<i>No term</i>	4.660.092	3.058.678
Total	119.638.153	115.403.576

The term “residual life” means the time interval between the date of the financial statements and the contractual maturity of each transaction. In particular, for transactions with repayment plans, reference was made to the remaining duration of a single instalment.

Table 4.7 | Composition of “Loans to customers” (net values) by economic activity sector

	<i>31/12/2017</i>	<i>31/12/2016</i>
<i>Public administrations</i>	4.249.697	5.383.827
<i>Financial undertakings other than credit institutions:</i>	2.143.349	3.305.399
- <i>Monetary financial institutions (other than credit institutions)</i>	-	-
- <i>Investment funds other than money market funds</i>	-	-
- <i>Other financial companies</i>	2.143.349	3.305.399
- <i>Insurance companies</i>	-	-
- <i>Pension funds</i>	-	-
<i>Non-financial companies:</i>	68.843.542	67.183.259
<i>of which persons deleted from the Register of Authorized Entities</i>	-	-
- <i>Industry</i>	26.432.002	26.122.463
- <i>Building</i>	5.150.765	5.206.005
- <i>Services</i>	37.260.391	35.820.090
- <i>Other non-financial companies</i>	384	34.701
<i>Households and non-profit institutions serving households</i>	44.401.565	39.531.091
- <i>Consumer families</i>	44.239.681	39.405.095
- <i>Non-profit institutions serving households</i>	161.884	125.996
<i>Other</i>	-	-
Total	119.638.153	115.403.576

5. Bonds and other debt securities and shares, quotas and other capital securities (items 50 - 60 of assets)

Table 5.1 | Composition of investment and trading securities

	<i>Investment</i>	<i>Trading</i>
<i>Bonds and other debt securities:</i>	81.158.070	139.060.939
- issued by public bodies	12.181.175	42.619.274
- issued by banks	63.572.417	62.154.012
- issued by financial institutions	4.610.917	8.150.571
- issued by other bodies	793.561	26.137.082
<i>Shares, quotas and other capital securities:</i>	-	1.559.953
- OIC	-	1.559.953
Total	81.158.070	140.620.892

The securities in the portfolio are mainly bonds issued by sovereign states, banks and private companies belonging to zone A.

The trading portfolio consists of securities held for trading and/or maintained for the cash requirements. The investment portfolio, as required by law, is valued at purchase or transfer value from another portfolio, while the trading portfolio is valued at its market value.

Table 5.2 | Composition of "investment securities"

	<i>31/12/2017</i>			<i>31/12/2016</i>		
	<i>Book value</i>	<i>Market value</i>	<i>Fair value</i>	<i>Book value</i>	<i>Market value</i>	<i>Fair value</i>
<i>Debt securities:</i>	80.131.821	81.158.070	81.901.187	107.817.168	108.946.097	106.579.004
- <i>Bonds:</i>	80.131.821	81.158.070	81.901.187	107.817.168	108.946.097	106.579.004
<i>Listed</i>	56.402.576	57.401.305	58.614.017	81.523.067	82.609.537	80.318.786
<i>Unlisted</i>	23.729.245	23.756.765	23.287.170	26.294.101	26.336.560	26.260.218
- <i>Other debt securities:</i>	-	-	-	-	-	-
<i>Listed</i>	-	-	-	-	-	-
<i>Unlisted</i>	-	-	-	-	-	-
<i>Capital securities:</i>	-	-	-	-	-	-
- <i>Listed</i>	-	-	-	-	-	-
- <i>Unlisted</i>	-	-	-	-	-	-
Total	80.131.821	81.158.070	81.901.187	107.817.168	108.946.097	106.579.004

Investment securities are composed of bonds issued by sovereign states and banks for about 90%, the remaining part consists of bonds issued by private companies

Table 5.3 | Annual variations to investment securities

	<i>31/12/2017</i>	<i>31/12/2016</i>
<i>Opening balance</i>	<i>108.946.097</i>	<i>89.679.993</i>
<i>Increases:</i>	<i>5.446.925</i>	<i>36.081.858</i>
- <i>Purchases</i>	<i>3.782.050</i>	<i>34.182.711</i>
<i>of which debt securities</i>	<i>3.782.050</i>	<i>34.182.711</i>
- <i>Value recoveries</i>	<i>-</i>	<i>-</i>
- <i>Transfers from trading portfolio</i>	<i>-</i>	<i>-</i>
- <i>Other variations</i>	<i>1.664.875</i>	<i>1.899.147</i>
<i>Decreases:</i>	<i>33.234.952</i>	<i>16.815.754</i>
- <i>Sales</i>	<i>24.265.983</i>	<i>6.795.982</i>
<i>of which debt securities</i>	<i>24.265.983</i>	<i>6.795.982</i>
- <i>Redemptions</i>	<i>8.304.700</i>	<i>5.003.700</i>
- <i>Value adjustments</i>	<i>-</i>	<i>500.000</i>
<i>of which lasting devaluations</i>	<i>-</i>	<i>500.000</i>
- <i>Transfers to trading portfolio</i>	<i>-</i>	<i>4.049.443</i>
- <i>Other variations</i>	<i>664.269</i>	<i>466.629</i>
<i>Closing balance</i>	<i>81.158.070</i>	<i>108.946.097</i>

It is noted that, in fulfillment of the resolution of the Board of Directors no. 2 of 31/10/2017, the Bank proceeded with the early sale of securities recorded in the investment portfolio for an amount equal to EUR 13 million, obtaining an extraordinary profit of EUR 1 million.

The reasons for the aforementioned transaction, necessary for the Bank in order to maintain an adequate liquidity margin, are primarily attributable to the request for extraordinary intervention in support of the San Marino banking system, received from the Secretariat of State for Finance.

Table 5.4 | Composition of "trading securities"

	<i>31/12/2017</i>	<i>31/12/2016</i>
	<i>Fair value</i>	<i>Fair value</i>
<i>Debt securities:</i>	<i>139.060.939</i>	<i>132.730.322</i>
- <i>Bonds:</i>	<i>139.060.939</i>	<i>132.730.322</i>
<i>Listed</i>	<i>123.100.546</i>	<i>125.489.590</i>
<i>Unlisted</i>	<i>15.960.393</i>	<i>7.240.732</i>
- <i>Other debt securities:</i>	<i>-</i>	<i>-</i>
<i>Listed</i>	<i>-</i>	<i>-</i>
<i>Unlisted</i>	<i>-</i>	<i>-</i>
<i>Capital securities:</i>	<i>1.559.953</i>	<i>1.008.619</i>
- <i>Listed</i>	<i>1.559.953</i>	<i>-</i>
- <i>Unlisted</i>	<i>-</i>	<i>1.008.619</i>
<i>Total</i>	<i>140.620.892</i>	<i>133.738.941</i>

Table 5.5 | Annual variations to “trading securities”

	<i>31/12/2017</i>	<i>31/12/2016</i>
<i>Opening balance</i>	<i>133.738.941</i>	<i>91.049.911</i>
<i>Increases:</i>	<i>340.064.012</i>	<i>293.778.695</i>
- <i>Purchases</i>	<i>335.183.934</i>	<i>283.047.305</i>
<i>of which debt securities</i>	<i>302.369.405</i>	<i>238.868.765</i>
<i>of which capital securities</i>	<i>32.814.529</i>	<i>44.178.540</i>
- <i>Writebacks and revaluations</i>	<i>2.470.489</i>	<i>2.213.406</i>
- <i>Transfers from investment portfolio</i>	<i>-</i>	<i>4.049.443</i>
- <i>Other variations</i>	<i>2.409.589</i>	<i>4.468.541</i>
<i>Decreases:</i>	<i>333.182.061</i>	<i>251.089.665</i>
- <i>Sales and redemptions</i>	<i>330.836.167</i>	<i>249.317.474</i>
<i>of which debt securities</i>	<i>298.562.543</i>	<i>204.101.997</i>
<i>of which capital securities</i>	<i>32.273.624</i>	<i>45.215.477</i>
- <i>Value adjustments and devaluations</i>	<i>1.364.150</i>	<i>1.041.806</i>
- <i>Transfers to investment portfolio</i>	<i>-</i>	<i>-</i>
- <i>Other variations</i>	<i>981.744</i>	<i>730.385</i>
<i>Closing balance</i>	<i>140.620.892</i>	<i>133.738.941</i>

The valuation of investment securities is based on market value as at 31/12/2017. The effect of such a method is described under items “Writebacks and revaluations” and “Value adjustments and devaluations” in the table above.

6. Holdings (items 70 - 80 of assets)

Table 6.1 | Holdings and Holdings in group companies

<i>Denominations</i>	<i>Legal form</i>	<i>Headquarters</i>	<i>Activity performed</i>	<i>Share capital</i>	<i>Net equity</i>	<i>Profit / Loss</i>	<i>Share %</i>	<i>Book value (b)</i>	<i>Fair value</i>	<i>Net equity share (a)</i>	<i>Comparison (a-b)</i>
<i>Companies of the banking group</i>											
<i>No investment</i>											
<i>Other subsidiaries</i>											
<i>No investment</i>											
<i>Other investee companies</i>											
<i>Banca Centrale della Repubblica di San Marino</i>	<i>SPA</i>	<i>San Marino, Via del Voltone 120</i>	<i>Bank</i>	<i>12.911.425</i>	<i>75.638.636</i>	<i>(2.173.521)</i>	<i>1,00%</i>	<i>811.848</i>	<i>811.848</i>	<i>756.386</i>	<i>(55.462)</i>
<i>Techno Science Park San Marino - Italy</i>	<i>SPA</i>	<i>San Marino, Via Tre Settembre 99</i>	<i>Services</i>	<i>110.000</i>	<i>169.902</i>	<i>45.360</i>	<i>10,00 %</i>	<i>11.000</i>	<i>11.000</i>	<i>16.990</i>	<i>5.990</i>

In 2017, no repurchase and sale of treasury shares were carried out in the own portfolio.

Table 6.2 | Composition of item 70 “Holdings”

	31/12/2017			31/12/2016		
	Purchase price	Budget value	Fair value	Purchase price	Budget value	Fair value
In banks:	811.848	811.848	811.848	811.848	811.848	811.848
- Listed	-	-	-	-	-	-
- Not listed	811.848	811.848	811.848	811.848	811.848	811.848
In other financial companies:	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Not listed	-	-	-	-	-	-
Other:	11.000	11.000	11.000	11.000	11.000	11.000
- Listed	-	-	-	-	-	-
- Not listed	11.000	11.000	11.000	11.000	11.000	11.000
Total	822.848	822.848	822.848	822.848	822.848	822.848

The data of investee companies refer to the 2016 financial year.

Table 6.3 | Composition of item 80 “Holdings in group companies”

	31/12/2017			31/12/2016		
	Purchase price	Budget value	Fair value	Purchase price	Budget value	Fair value
In banks:	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Not listed	-	-	-	-	-	-
In other financial companies:	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Not listed	-	-	-	-	-	-
Other:	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Not listed	-	-	-	-	-	-
Total	-	-	-	-	-	-

Table not valued as data not present.

Table 6.4 | Annual changes of item 70 "Holdings"

	<i>31/12/2017</i>
<i>Opening balance</i>	<i>822.848</i>
<i>Increases:</i>	-
- <i>Purchases</i>	-
- <i>Writebacks</i>	-
- <i>Revaluations</i>	-
- <i>Other changes</i>	-
<i>Decreases:</i>	-
- <i>Sales</i>	-
- <i>Value adjustments</i>	-
<i>of which permanent writedowns</i>	-
- <i>Other changes</i>	-
<i>Closing balance</i>	<i>822.848</i>
<i>Total revaluations</i>	-
<i>Total adjustments</i>	-

Table 6.5 | Annual changes of item 80 "Holdings in group companies"

	<i>31/12/2017</i>
<i>Opening balance</i>	-
<i>Increases:</i>	-
- <i>Purchases</i>	-
- <i>Writebacks</i>	-
- <i>Revaluations</i>	-
- <i>Other changes</i>	-
<i>Decreases:</i>	-
- <i>Sales</i>	-
- <i>Value adjustments</i>	-
<i>of which permanent writedowns</i>	-
- <i>Other changes</i>	-
<i>Closing balance</i>	-

Table not valued as data not present.

Table 6.6 | Assets and liabilities to holdings (item 70)

	<i>31/12/2017</i>
Assets:	25.695.167
- Loans to banks	25.695.167
<i>of which subordinates</i>	-
<i>of which to related undertakings</i>	-
<i>of which subordinate</i>	-
- Loans to other financial companies	-
<i>of which subordinates</i>	-
<i>of which to related undertakings</i>	-
<i>of which subordinates</i>	-
- Loans to other companies	-
<i>of which subordinates</i>	-
<i>of which to related undertakings</i>	-
<i>of which subordinates</i>	-
- Bonds and other debt financial instruments	-
<i>of which subordinates</i>	-
<i>of which to related undertakings</i>	-
<i>of which subordinates</i>	-
Liabilities:	-
- Debts to banks	-
<i>of which to related undertakings</i>	-
- Debts to other companies	-
<i>of which to related undertakings</i>	-
- Debts represented by financial instruments	-
<i>of which to related undertakings</i>	-
- Subordinated liabilities	-
<i>of which to related undertakings</i>	-
Guarantees and commitments:	-
- Guarantees given	-
- Commitments	-

Table 6.7 | Assets and liabilities to holdings in group companies (item 80)

	31/12/2017
Assets:	-
- Loans to banks	-
of which subordinates	-
- Loans to other companies	-
of which subordinates	-
- Bonds and other debt financial instruments	-
of which subordinates	-
Liabilities:	-
- Debts to banks	-
- Debts to other companies	-
- Subordinated liabilities	-
Guarantees and commitments	-
- Guarantees given	-
- Commitments	-

Table not valued as data not present.

7. Intangible fixed assets (item 90 of assets)

Table 7.1 | Description and changes of item 90 “Intangible fixed assets”

	31/12/2017	Leased assets	of which assets to be leased	Assets resulting from annulled lease contracts	of which for breach by tenant	Assets available from credit recovery	of which assets available for credit termination through settlement agreement	Start-up costs	Establishment costs	Other intangible fixed assets
Opening balance	938.427	-	-	-	-	-	-	-	-	938.427
Increases:	280.815	-	-	-	-	-	-	-	-	280.815
- Purchases	279.703	-	-	-	-	-	-	-	-	279.703
- Value recoveries	-	-	-	-	-	-	-	-	-	-
of which for credit rating	-	-	-	-	-	-	-	-	-	-
- Revaluations	-	-	-	-	-	-	-	-	-	-
- Other variations	1.112	-	-	-	-	-	-	-	-	1.112
Decreases:	222.340	-	-	-	-	-	-	-	-	222.340
- Sales	-	-	-	-	-	-	-	-	-	-
- Value adjustments	222.340	-	-	-	-	-	-	-	-	222.340
of which depreciations	222.340	-	-	-	-	-	-	-	-	222.340
of which lasting devaluations	-	-	-	-	-	-	-	-	-	-
of which for credit rating	-	-	-	-	-	-	-	-	-	-
- Other variations	-	-	-	-	-	-	-	-	-	-
Closing balance	996.902	-	-	-	-	-	-	-	-	996.902

The table above shows the changes in intangible fixed assets recorded in the balance sheet at their acquisition cost, net of accumulated depreciation.

The item “Purchases” is mainly composed of all expenses connected with software implementation.

Table 7.2 | Description of item 90 “Intangible fixed assets”

	31/12/2017			31/12/2016		
	Purchase price / Production cost	Budget value	Fair value	Purchase price / Production cost	Budget value	Fair value
Financial lease	-	-	-	-	-	-
of which assets to be leased	-	-	-	-	-	-
Assets resulting from annulled lease contracts	-	-	-	-	-	-
of which for breach by tenant	-	-	-	-	-	-
Assets available from credit recovery	-	-	-	-	-	-
of which assets available for credit termination through settlement agreement	-	-	-	-	-	-
Goodwill	-	-	-	-	-	-
Start-up costs	-	-	-	-	-	-
Other intangible fixed assets	2.315.406	996.902	996.902	2.034.591	938.427	938.427
Total	2.315.406	996.902	996.902	2.034.591	938.427	938.427

8. Tangible fixed assets (item 100 of assets)

Table 8.1 | Description and changes of item 100 “Tangible fixed assets”

	31/12/2017	Financial lease	of which assets to be leased	Assets resulting from annulled lease contracts	of which for breach by tenant	Assets available from credit recovery	of which assets available for credit termination through settlement agreement	Lands and buildings	Other tangible fixed assets
Opening balance	28.108.226	23.443.376	522.924	7.319	7.319	-	-	3.954.409	703.122
Increases:	10.124.782	8.604.610	1.298.579	1.210.328	1.210.328	-	-	-	309.844
- Purchases	7.615.551	7.305.707	-	-	-	-	-	-	309.844
- Value recoveries	-	-	-	-	-	-	-	-	-
of which for credit rating	-	-	-	-	-	-	-	-	-
- Revaluations	-	-	-	-	-	-	-	-	-
- Other variations	2.509.231	1.298.903	1.298.579	1.210.328	1.210.328	-	-	-	-
Decreases:	10.036.786	9.518.426	1.328.902	213.075	213.075	-	-	85.958	219.327
- Sales	813.797	753.654	-	10.143	10.143	-	-	-	50.000
- Value adjustments	6.419.396	5.961.179	902	202.932	202.932	-	-	85.958	169.327
of which depreciations	6.012.891	5.757.606	-	-	-	-	-	85.958	169.327
of which lasting devaluations	-	-	-	-	-	-	-	-	-
of which for credit rating	406.505	203.573	902	202.932	202.932	-	-	-	-
- Other variations	2.803.593	2.803.593	1.328.000	-	-	-	-	-	-
Closing balance	28.196.222	22.529.560	492.601	1.004.572	1.004.572	-	-	3.868.451	793.639

The table shows the changes in tangible fixed assets recorded in the balance sheet at their acquisition cost, net of accumulated depreciation.

The item “Purchases” is mainly connected with the acquisition of new assets leased to third parties for financial leasing contracts.

Table 8.2 | Description of item 100 “tangible fixed assets”

	31/12/2017			31/12/2016		
	Purchase price / Production cost	Budget value	Fair value	Purchase price / Production cost	Budget value	Fair value
<i>Financial lease</i>	50.785.283	22.529.460	22.529.460	47.718.542	23.443.376	23.443.376
<i>of which assets to be leased</i>	2.690.077	492.601	492.601	2.321.498	522.924	522.924
<i>Assets resulting from annulled lease contracts</i>	1.210.328	1.004.572	1.004.572	33.705	7.319	7.319
<i>of which for breach by tenant</i>	1.210.328	1.004.572	1.004.572	33.705	7.319	7.319
<i>Assets available from credit recovery</i>	-	-	-	-	-	-
<i>of which assets available for credit termination through settlement agreement</i>	-	-	-	-	-	-
<i>Lands and buildings</i>	4.155.259	3.868.451	3.868.451	4.155.259	3.954.409	3.954.409
<i>Other tangible fixed assets</i>	2.067.735	793.639	793.639	1.807.892	703.122	703.122
Total	58.218.605	28.196.122	28.196.122	53.715.398	28.108.226	28.108.226

Table 8.3 | Assets available from credit recovery

	31/12/2017		31/12/2016	
	Budget value	Fair value	Budget value	Fair value
<i>Assets available from credit recovery deriving from financial lease contracts:</i>	-	-	-	-
- <i>Real estate</i>	-	-	-	-
<i>of which for residential use</i>	-	-	-	-
<i>of which for non-residential use</i>	-	-	-	-
- <i>Movable assets</i>	-	-	-	-
<i>of which vehicles</i>	-	-	-	-
<i>of which aircraft</i>	-	-	-	-
<i>of which other</i>	-	-	-	-
<i>Assets available from credit recovery deriving from other lease contracts:</i>	-	-	-	-
- <i>Real estate</i>	-	-	-	-
<i>of which for residential use</i>	-	-	-	-
<i>of which for non-residential use</i>	-	-	-	-
- <i>Movable assets</i>	-	-	-	-
<i>of which vehicles</i>	-	-	-	-
<i>of which aircraft</i>	-	-	-	-
<i>of which other</i>	-	-	-	-
Total	-	-	-	-

Table not valued as data not present.

Table 8.4 | Leasing to credit institutions and customers (residual capital credit and rents overdue)

	<i>Total at 31/12/2017</i>	<i>of which leasing to credit institutions</i>	<i>of which leasing to customers</i>
<i>Leasing – Total</i>	<i>24.195.134</i>	<i>-</i>	<i>24.195.134</i>
<i>of which for rents overdue</i>	<i>661.102</i>	<i>-</i>	<i>661.102</i>
<i>of which residual capital credit</i>	<i>23.534.032</i>	<i>-</i>	<i>23.534.032</i>
<i>Intangible fixed assets</i>			
<i>- Financial lease</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>- Assets resulting from annulled lease contracts</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Tangible fixed assets</i>			
<i>- Financial lease</i>	<i>22.529.460</i>	<i>-</i>	<i>22.529.460</i>
<i>- Assets resulting from annulled lease contracts</i>	<i>1.004.572</i>	<i>-</i>	<i>1.004.572</i>

9. Subscribed capital not paid in (item 110 of assets)

Table 9.1 | Composition of item 110 “Subscribed capital not paid in”

	<i>31/12/2017</i>	<i>31/12/2016</i>	<i>Amount</i>	<i>Variations</i>
				<i>%</i>
<i>Subscribed capital not paid in</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>of which called capital</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

Table not valued as data not present.

10. Transactions on own shares (item 120 of assets)

Table 10.1 | Composition of social shares

	<i>Number of shares</i>	<i>% on capital</i>	<i>Nominal value</i>	<i>Negotiation amount</i>
<i>Values at 31/12/2016</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Purchases</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Sales</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Value at 31/12/2017</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
				<i>Profit/loss</i>
<i>Negotiation profit/loss on own shares</i>				<i>-</i>

Table not valued as data not present.

11. Other assets (item 130 of assets)

Table 11.1 | Composition of item 130 “Other assets”

	31/12/2017	31/12/2016
<i>Maintenance margins</i>	-	-
<i>Premiums paid for options</i>	-	-
Others	20.965.017	22.436.237
<i>of which other Debtors:</i>	20.757.937	22.380.460
- <i>Effects received from correspondent banks</i>	3.277.415	1.820.816
- <i>Effects from SBF customers</i>	10.655.297	12.076.922
- <i>Effects after collection from customers</i>	3.542.484	2.832.593
- <i>Illiquid effects</i>	1.662.762	4.133.039
- <i>Transitional accounts and items to be settled</i>	238.997	234.426
- <i>IGR advances and withholding of the Tax Office</i>	547.185	182.145
- <i>Anticipated taxes as per Art. 40 Law no. 150/2012</i>	747.917	1.014.639
- <i>R.A. foreign tax credits</i>	85.880	85.880
<i>of which Other:</i>	207.080	55.777
- <i>Spot transactions and other items</i>	207.080	55.777
Total	20.965.017	22.436.237

12. Accrued revenues and deferred expenses (item 140 of assets)

Table 12.1 | Composition of item 140 “Accrued revenues and deferred expenses”

	31/12/2017	31/12/2016
Accrued revenues:	89.972	90.681
- <i>Derivative contracts</i>	414	-
- <i>Fund/trading withdrawal</i>	840	-
- <i>Issuing/acquiring transactions</i>	88.028	90.681
- <i>Consumer credit practices</i>	690	-
Accrued revenues:	131.789	64.329
- <i>Insurance premiums</i>	32.916	4.897
- <i>Network fees</i>	22.811	13.908
- <i>Rental expenses</i>	39.073	43.513
- <i>Other</i>	36.989	2.011
Total	221.761	155.010

With particular reference to this item, it should be noted that for the year 2017 the Bank, where possible, adjusted upwards or downwards the asset accounts to which accrued revenues and deferred expenses refer, pursuant to Art. IV.I.13 of Regulation no. 2016-02 of the Central Bank.

Section C - INFORMATION ON THE STATEMENT OF ASSETS AND LIABILITIES - LIABILITIES

13. Debts with banks (item 10 of liabilities)

Table 13.1 | Description of item 10 “Debts with banks”

	31/12/2017			31/12/2016		
	Euros	Foreign currency	Total	Euros	Foreign currency	Total
<i>Sight debts:</i>	200.736	-	200.736	1.322.547	-	1.322.547
- Current accounts overdrafts	200.421	-	200.421	1.322.233	-	1.322.233
- Demand deposits	315	-	315	314	-	314
- Other	-	-	-	-	-	-
<i>Term or notice debts:</i>	-	1.340.078	1.340.078	-	2.874.142	2.874.142
- Current accounts overdrafts	-	-	-	-	-	-
- Time deposits	-	1.340.078	1.340.078	-	2.874.142	2.874.142
- Repos and reverse repos	-	-	-	-	-	-
- Other loans	-	-	-	-	-	-
Total	200.736	1.340.078	1.540.814	1.322.547	2.874.142	4.196.689

The table shows the debts that the Bank has towards San Marino and foreign banks.

Table 13.2 | Composition of “Debts with banks” according to residual life

	31/12/2017	31/12/2016
<i>Sight</i>	200.736	1.322.547
<i>Up to 3 months</i>	23.192	794.559
<i>From 3 months to 6 months</i>	-	2.079.583
<i>From 6 months to 1 year</i>	1.316.886	-
<i>From 1 year to 18 months</i>	-	-
<i>From 18 months to 2 years</i>	-	-
<i>From 2 years to 5 years</i>	-	-
<i>More than 5 years</i>	-	-
<i>No term</i>	-	-
Total	1.540.814	4.196.689

Please note that “residual life” means the time interval between the date of the financial statements and the contractual maturity of each transaction.

As can be seen, the Bank does not have debts to other banks other than those relating to the ordinary operation.

14. Debts with customers (item 20 of liabilities)

Table 14.1 | Description of item 20 “Debts with customers”

	31/12/2017			31/12/2016		
	Euros	Foreign currency	Total	Euros	Foreign currency	Total
<i>Sight debts:</i>	198.792.453	6.318.649	205.111.102	169.618.642	3.349.571	172.968.213
- Current accounts overdrafts	197.622.307	6.318.649	203.940.956	168.426.656	3.349.571	171.776.227
- Sight savings deposits	488.278	-	488.278	462.249	-	462.249
- Other	681.868	-	681.868	729.737	-	729.737
<i>Term or notice debts:</i>	17.071.062	-	17.071.062	37.965.606	-	37.965.606
- Time deposits	-	-	-	-	-	-
- Time savings deposits	-	-	-	-	-	-
- Repos and reverse repos	17.070.174	-	17.070.174	30.560.890	-	30.560.890
- Other funds	888	-	888	7.404.716	-	7.404.716
Total	215.863.515	6.318.649	222.182.164	207.584.248	3.349.571	210.933.819

The table shows all debts with customers regardless of their technical form, except those represented by financial instruments which are brought back to item 30 of Liabilities.

Table 14.2 | Composition of “Debts with customers” according to residual life

	31/12/2017	31/12/2016
<i>Sight</i>	205.111.193	172.968.213
<i>Up to 3 months</i>	10.836.848	17.608.882
<i>From 3 months to 6 months</i>	5.745.709	10.292.678
<i>From 6 months to 1 year</i>	488.414	10.064.046
<i>From 1 year to 18 months</i>	-	-
<i>From 18 months to 2 years</i>	-	-
<i>From 2 years to 5 years</i>	-	-
<i>More than 5 years</i>	-	-
<i>No term</i>	-	-
Total	222.182.164	210.933.819

The table shows that the amounts due to customers have a maximum expiration date of 1 year.

15. Debts represented by financial instruments (item 30 of liabilities)

Table 15.1 | Composition of debts represented by financial instruments

	31/12/2017			31/12/2016		
	In euro	In foreign currency	Total	In euro	In foreign currency	Total
Bonds	54.894.183	-	54.894.183	71.734.152	-	71.734.152
<i>of which held by credit institutions</i>	-	-	-	-	-	-
Certificates of deposit	130.422.888	-	130.422.888	152.362.422	-	152.362.422
<i>of which held by credit institutions</i>	-	-	-	-	-	-
Other financial instruments	-	-	-	-	-	-
<i>of which acceptances traded</i>	-	-	-	-	-	-
<i>of which outstanding bills</i>	-	-	-	-	-	-
<i>of which atypical securities</i>	-	-	-	-	-	-
Total	185.317.071	-	185.317.071	224.096.574	-	224.096.574

16. Other liabilities (item: 40 of liabilities)

Table 16.1 | Composition of item 40 "Other liabilities"

	31/12/2017	31/12/2016
Maintenance margins	-	-
Premiums received for options	-	-
Cheques in circulation and similar securities	670.814	593.847
Other	22.194.636	23.807.581
<i>of which other Creditors:</i>	1.153.676	819.418
- Supplier invoices to be received	362.241	81.357
- Payables to I.S.S.	79.739	66.371
- Payables to F.S.S.	2.558	2.120
- Payables to trade union centres	655	579
- Employees salary account	196.213	164.549
- Payables to suppliers	222.760	196.761
- Sums in favour of third parties	289.510	307.681
<i>of which Other:</i>	21.040.960	22.988.163
- Transferor of SBF effects	14.304.267	16.391.190
- Transferors of after-collection effects	5.204.719	3.937.224
- Due to tax office	982.158	373.004
- Transitional accounts and items to be settled	281.207	2.102.853
- Term transactions	158.131	183.892
- Other	110.478	-
Total	22.865.450	24.401.428

The sub-item "Due to Tax Office" includes the liabilities against the State relating to withholdings made on interests, premiums and other income granted by the Bank as required by the relevant Tax Law; it also includes debts for single-phase tax and withholding tax on income from employment.

Table 16.2 | Payables for electronic money

	31/12/2017	31/12/2016
<i>For nominative instruments:</i>	-	-
- of which rechargeable	-	-
- of which not rechargeable	-	-
<i>For anonymous tools</i>	-	-
Total	-	-

Table not valued as data not present. The table is not completed because the Institute places its cards directly.

17. Accrued expenses and deferred revenues (item 50 of liabilities)

Table 17.1 | Composition of item 50 “Accrued expenses and deferred revenues”

	31/12/2017	31/12/2016
<i>Accrued expenses:</i>	126.102	269.777
- Derivative contracts	972	945
- Employee supplementary remuneration	124.288	18.624
- Advertising	842	208
- Estimated CBSM and AQR contribution	-	250.000
<i>Deferred revenues:</i>	25.291	21.269
- Interest on consumer credit practices	8.271	-
- Foreign documentary credit commissions	507	1.061
- Safe deposit box fees	5.707	9.404
- Unsecured credit fees	10.806	10.804
Total	151.393	291.046

Please note that the bank has directly adjusted the increased or decreased liability accounts to which accrued expenses and deferred revenues relate as provided by Art. IV.I.13 of Regulation no. 2016-02 of the Central Bank. “Deferred revenues” mainly refer to advance payments and fees on endorsement loans.

18. Funds (items 60 - 70 - 80 of liabilities)

Table 18.1 | Changes of item 60 “Staff retirement allowances”

	31/12/2017	31/12/2016
<i>Opening balance</i>	253.016	237.080
<i>Increases:</i>	304.567	253.016
- Provisions	304.567	253.016
- Other variations	-	-
<i>Decreases:</i>	253.016	237.080
- Utilization	253.016	237.080
- Other variations	-	-
Closing balance	304.567	253.016

As required by law, the Staff Retirement Allowances is paid annually to all employees. Accordingly, the balance at the end of 2017 coincides with the relative share of the current year to be settled within the year 2018.

Table 18.2 | Composition of item 70 “Risks and costs funds”

	31/12/2017	31/12/2016
<i>Retirement and similar costs fund</i>	-	-
<i>Taxes and fees funds</i>	210.040	186.897
<i>Other funds:</i>	191.202	206.013
- <i>Fund for paid and unused leave</i>	141.202	156.013
- <i>Provisions for payment card dispute risks</i>	50.000	50.000
Total	401.242	392.910

The amount of the tax liability will be partially compensated through the use of deferred tax assets in accordance with the rules set by Art. 40 of the Finance Act 2013 (no. 150/2012). The item “Other funds” comprises provisions for the employees’ leaves accrued but not taken as of 31.12.2017, in the amount of € 141.202, plus € 50.000 allocated to cover any counterclaim in credit card disputes.

Table 18.3 | Changes of “Taxes and fees reserves”

	31/12/2017	31/12/2016
<i>Opening balance</i>	186.897	60.757
<i>Increases:</i>	210.040	186.897
- <i>Provisions</i>	210.040	186.897
- <i>Other variations</i>	-	-
<i>Decreases:</i>	186.897	60.757
- <i>Utilization</i>	186.897	60.757
- <i>Other variations</i>	-	-
Closing balance	210.040	186.897

This fund refers to income taxes for the year 2017 calculated in accordance with Law No. 166/2013.

Table 18.4 | Changes of sub-item c) “Other provisions”

	31/12/2017	31/12/2016
<i>Opening balance</i>	206.013	104.349
<i>Increases:</i>	31.167	101.664
- <i>Provisions</i>	31.167	101.664
- <i>Other variations</i>	-	-
<i>Decreases:</i>	45.978	-
- <i>Utilization</i>	45.978	-
- <i>Other variations</i>	-	-
Closing balance	191.202	206.013

The table shows the variations of the “Annual leave payments”.

Table 18.5 | Changes of item 80 “Funds for possible loan losses”

	<i>31/12/2017</i>	<i>31/12/2016</i>
<i>Opening balance</i>	-	-
<i>Increases:</i>	-	-
- <i>Provisions</i>	-	-
- <i>Other variations</i>	-	-
<i>Decreases:</i>	-	-
- <i>Utilization</i>	-	-
- <i>Other variations</i>	-	-
<i>Closing balance</i>	-	-

Table not valued as data not present.

19. Fund for general financial risks, Subordinated liabilities, Corporate capital, Issue premium, Reserves, Revaluation reserve, Profits (losses) carried forward and Profit (loss) for the financial year (items 90 - 100 - 110 -120 - 130- 140 - 150 - 160 of liabilities)

Table 19.1 | Composition of item 90 “Fund for general financial risks”

	<i>31/12/2017</i>	<i>31/12/2016</i>
<i>Opening balance</i>	4.500.000	1.500.000
<i>Contributions in the year</i>	500.000	3.000.000
<i>Uses in the year</i>	-	-
<i>Closing balance</i>	5.000.000	4.500.000

During 2017, a contribution was made to the fund amounting to € 500,000 with the purpose of strengthening the assets. The fund has therefore a balance of € 5,000,000.

Table 19.2 | Composition of item 100 “Subordinated liabilities”

	<i>31/12/2017</i>	<i>31/12/2016</i>	<i>Amount</i>	<i>Variations</i>
				<i>%</i>
<i>Subordinated liabilities</i>	-	-	-	-
<i>of which held by credit institutions</i>	-	-	-	-
<i>of which hybrid capitalization instruments</i>	-	-	-	-

Table not valued as data not present.

Table 19.3 | Composition of item 110 “Corporate capital”

	31/12/2017			31/12/2016			Variations	
	Number of shares	Nominal value	Total value	Number of shares	Nominal value	Total value	Amount	%
Ordinary	20.000	1.000	20.000.000	20.000	1.000	20.000.000	-	-
Total	20.000	1.000	20.000.000	20.000	1.000	20.000.000	-	-

Table 19.4 | Composition of item 120 “Issue premiums”

	31/12/2017	31/12/2016	Amount	Variations
				%
Issue premiums	-	-	-	-

Table not valued as data not present.

Table 19.5 | Composition of item 130 “Reserves”

	31/12/2017	31/12/2016	Amount	Variations
				%
Ordinary or legal reserve	1.029.673	579.332	450.341	77,73%
Reserve for shares or own shares	-	-	-	-
Statutory reserves	1.985.858	818.112	1.167.746	142,74%
Other reserves	1.733.622	1.500.000	233.622	15,57%
Total	4.749.153	2.897.444	1.851.709	63,91%

The allocation of the 2016 profit of € 2,251,708 is in accordance with the shareholders' resolution dated 25 May 2017.

Table 19.6 | Composition of item 140 “Revaluation reserve”

	31/12/2017	31/12/2016	Amount	Variations
				%
Revaluation reserve	-	-	-	-

Table not valued as data not present.

Table 19.7 | Composition of item 150 “Profits (losses) carried forward”

	31/12/2017	31/12/2016	Amount	Variations
				%
Profits (Losses) carried forward	-	-	-	-

Table not valued as data not present.

Table 19.8 | Composition of item 160 “Profit (Loss) for the financial year”

	31/12/2017	31/12/2016	Amount	Variations %
<i>Profit (Loss) for the financial year</i>	4.571.621	2.251.708	2.319.913	103,03%

Table 19.9 | Variation to the net equity in the last 4 years

	31/12/2017	31/12/2016	31/12/2014	31/12/2013
<i>Corporate capital</i>	20.000.000	20.000.000	20.000.000	20.000.000
<i>Uncalled capital</i>	-	-	-	-
<i>Issue premiums</i>	-	-	-	-
<i>Ordinary or legal reserve</i>	1.029.673	579.332	444.807	226.620
<i>Other reserves</i>	3.719.480	2.318.112	1.780.013	907.265
<i>Operating result</i>	4.571.621	2.251.708	672.624	1.090.936
<i>Profits (Losses) carried forward</i>	-	-	-	-
<i>Fund for general financial risks</i>	5.000.000	4.500.000	1.500.000	1.500.000
<i>Revaluation reserve</i>	-	-	-	-
Total	34.320.774	29.649.152	24.397.444	23.724.821

Table 19.10 | Composition of Savings Collection by business sector

	31/12/2017	31/12/2016
<i>Public administrations</i>	31.346.498	39.186.000
<i>Financial companies other than credit institutions:</i>	2.423.924	-
- <i>Monetary financial institutions other than credit institutions</i>	-	-
- <i>Investment funds other than money market funds</i>	-	-
- <i>Other financial companies</i>	2.300.959	-
- <i>Insurance companies</i>	122.965	-
- <i>Pension funds</i>	-	-
<i>Non-financial companies:</i>	110.388.118	116.119.621
<i>of which persons deleted from the Register of Authorized Entities</i>	561.397	-
- <i>Industry</i>	63.235.105	75.391.530
- <i>Building</i>	1.789.359	1.117.754
- <i>Services</i>	44.683.887	39.610.337
- <i>Other non-financial companies</i>	679.767	-
<i>Households and non-profit institutions serving households:</i>	264.011.509	280.318.619
- <i>Consumer families</i>	263.067.590	280.318.619
- <i>Non-profit institutions serving households</i>	943.919	-
<i>Other</i>	-	-
Total	408.170.049	435.624.240

Section D - INFORMATION ON THE STATEMENTS OF ASSETS AND LIABILITIES - GUARANTEES AND COMMITMENTS

20. Guarantees and commitments

Table 20.1 | Composition of “guarantees issued”

	31/12/2017	31/12/2016	Amount	Variations
				%
<i>Endorsment credits of a trade nature</i>	1.443.851	1.640.636	(196.785)	(11,99%)
<i>Endorsment credits of a financial nature</i>	607.846	862.317	(254.471)	(29,51%)
<i>Assets set up as collateral:</i>	16.337.297	4.119.899	12.217.398	296,55%
- of third party bonds	-	-	-	-
- of own bonds	16.337.297	4.119.899	12.217.398	296,55%
Total	18.388.994	6.622.852	11.766.142	177,66%

Table 20.2 | Composition of the abovementioned unsecured loans

	31/12/2017	31/12/2016	Amount	Variations
				%
<i>Credit commitments of a trade nature:</i>	1.443.851	1.640.636	(196.785)	(11,99%)
- Acceptances	133.356	354.705	(221.349)	(62,40%)
- Guarantees and endorsements	1.074.163	1.010.407	63.756	6,31%
- Strong comfort letter	-	-	-	-
- Other	236.332	275.524	(39.192)	(14,22%)
<i>Credit commitments of a financial nature:</i>	607.846	862.317	(254.471)	(29,51%)
- Acceptances	-	-	-	-
- Guarantees and endorsements	607.846	762.317	(154.471)	(20,26%)
- Strong comfort letter	-	-	-	-
- Other	-	100.000	(100.000)	(100,00%)
Total	2.051.697	2.502.953	(451.256)	(18,03%)

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Table 20.3 | Situation of unsecured loans to credit institutions

	31/12/2017			31/12/16		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
Doubtful loans	-	-	-	-	-	-
of which non-performing loans	-	-	-	-	-	-
of which substandard loans	-	-	-	-	-	-
of which restructured loans	-	-	-	-	-	-
of which expired / overdue loans	-	-	-	-	-	-
of which unsecured loans to countries at risk	-	-	-	-	-	-
Performing loans	-	-	-	-	-	-
Total	-	-	-	-	-	-

Table not valued as data not present.

Table 20.4 | Situation of unsecured loans to customers

	31/12/2017			31/12/16		
	Gross exposure	Total value adjustments	Net exposure	Gross exposure	Total value adjustments	Net exposure
Doubtful loans	25.000	-	25.000	-	-	-
of which non-performing loans	-	-	-	-	-	-
of which substandard loans	25.000	-	25.000	-	-	-
of which restructured loans	-	-	-	-	-	-
of which expired / overdue loans	-	-	-	-	-	-
of which unsecured loans to countries at risk	-	-	-	-	-	-
Performing loans	2.026.697	-	2.026.697	2.502.953	-	2.502.953
Total	2.051.697	-	2.051.697	2.502.953	-	2.502.953

Table 20.5 | Loan guarantees to assume the debts

Liabilities	Amounts of guarantee assets
Payables to credit institutions	12.073.160

Item "Assets pledged as guarantee for debts" relates to the use of credit lines for foreign operations.

Table 20.6 | Margin loans on credit lines

	31/12/2017	31/12/2016
Central banks	-	-
Other banks	-	-
Other financial companies	-	-
Total	-	-

Table not valued as data not present.

Table 20.7 | Composition of “spot commitments”

	31/12/2017	31/12/2016	Amount	Variations %
Commitments to grant finance certain to be called on	-	-	-	-
of which commitments for financing to be granted	-	-	-	-
Commitments to exchange financial instruments certain to be called on	1.020.778	4.157.142	(3.136.364)	(75,45%)
Commitments to grant finance not certain to be called on	335.900	212.800	123.100	57,85%
of which passive margins usable on credit lines	335.900	212.800	123.100	57,85%
of which put option issued	-	-	-	-
Commitments to exchange financial instruments not certain to be called on	36.571.000	-	36.571.000	-
Other commitments	-	-	-	-
Total	37.927.678	4.369.942	33.557.736	767,92%

The item “Commitments to grant finance not certain to be called on” includes the available margins on lines of credit granted by the Bank.

Table 20.8 | Forward commitments

	Coverage	Negotiation	Other transactions
Trades:	9.800.000	9.792.910	-
- Financial instruments:	-	-	-
purchases	-	-	-
sales	-	-	-
- Currencies:	9.800.000	9.792.910	-
currency against currency	-	-	-
purchases against EUR	9.630.000	169.147	-
sales against EUR	170.000	9.623.763	-
Deposits and loans:	-	-	-
to be given	-	-	-
to be received	-	-	-
Derivative contracts:	4.890.991	-	-
- With exchange of capital:	-	-	-
- Securities:	-	-	-
- purchases	-	-	-
- sales	-	-	-
- Currencies:	-	-	-
- currency against currency	-	-	-
- purchases against EUR	-	-	-
- sales against EUR	-	-	-
- Other values:	-	-	-
- purchases	-	-	-
- sales	-	-	-
- Without exchange of capital:	4.890.991	-	-
- Currencies:	-	-	-
- currency against currency	-	-	-

- purchases against EUR	-	-	-
- sales against EUR	-	-	-
- Other values:	4.890.991	-	-
- purchases	4.890.991	-	-
- sales	-	-	-

The item "Trades" includes all outstanding off-balance transactions at year-end related to contracts of sale that have been not settled yet. The contracts involving the exchange of two currencies have been shown reporting the currency to be purchased only.

Table 20.9 | Derivatives

<i>Operation Category</i>	<i>Coverages</i>	<i>Negotiations</i>	<i>Other transactions</i>
Derivative contracts:	44.498	-	-
- <i>With exchange of capital:</i>	-	-	-
- Securities:	-	-	-
- purchases	-	-	-
- sales	-	-	-
- Currencies:	-	-	-
- currency against currency	-	-	-
- purchases against EUR	-	-	-
- sales against EUR	-	-	-
- Other values:	-	-	-
- purchases	-	-	-
- sales	-	-	-
- Without exchange of capital:	44.498	-	-
- Currencies:	-	-	-
- currency against currency	-	-	-
- purchases against EUR	-	-	-
- sales against EUR	-	-	-
- Other values:	44.498	-	-
- purchases	44.498	-	-
- sales	-	-	-

Financial derivative contracts are to hedge the interest rate risk on fixed rate assets.

Table 20.10 | Credit derivatives

<i>Operation Category</i>	<i>Coverages</i>	<i>Negotiations</i>	<i>Other transactions</i>
Protection purchases:	-	-	-
- <i>With exchange of capital</i>	-	-	-
- <i>Without exchange of capital</i>	-	-	-
Protection sales:	-	-	-
- <i>With exchange of capital</i>	-	-	-
- <i>Without exchange of capital</i>	-	-	-

Table not valued as data not present.

Section E - INFORMATION ABOUT THE STATEMENT OF ASSETS AND LIABILITIES - MEMORANDUM ACCOUNTS

21. Suspence accounts

Table 21.1 | Suspence accounts

	31/12/2017	31/12/2016
Asset management:	168.772.768	114.985.893
- <i>Customer asset management</i>	<i>168.772.768</i>	<i>114.985.893</i>
<i>of which cash</i>	<i>27.219.133</i>	<i>43.423.578</i>
<i>of which cash deposited at the reporting institution</i>	<i>27.219.133</i>	<i>43.423.578</i>
<i>of which debt securities</i>	<i>135.256.927</i>	<i>66.042.436</i>
<i>of which debt securities issued by the reporting institution</i>	<i>100.000</i>	<i>545.000</i>
<i>of which capital securities and OIC shares</i>	<i>6.296.708</i>	<i>5.519.879</i>
<i>of which capital securities issued by the reporting institution</i>	<i>-</i>	<i>-</i>
- <i>Portfolios managed by third parties</i>	<i>-</i>	<i>-</i>
Custody and administration of financial instruments:	357.256.099	373.924.259
- <i>Deposited third parties securities</i>	<i>136.181.448</i>	<i>134.446.500</i>
<i>of which debt securities issued by the reporting institution</i>	<i>54.454.000</i>	<i>70.814.000</i>
<i>of which capital securities and other values issued by the reporting institution</i>	<i>17.800.000</i>	<i>17.800.000</i>
<i>of which third-party financial instruments deposited with third parties</i>	<i>63.060.977</i>	<i>45.528.198</i>
- <i>Owned securities deposit with third parties</i>	<i>221.074.651</i>	<i>239.477.759</i>
Financial instruments, liquid assets and other assets related to custodian bank activity:	-	-
- <i>Cash</i>	<i>-</i>	<i>-</i>
<i>of which cash deposited by the reporting institution</i>	<i>-</i>	<i>-</i>
- <i>Debt securities</i>	<i>-</i>	<i>-</i>
<i>of which debt securities issued by the reporting institution</i>	<i>-</i>	<i>-</i>
- <i>Capital securities, CIS shares, other financial instruments</i>	<i>-</i>	<i>-</i>
<i>of which capital securities issued by the reporting institution</i>	<i>-</i>	<i>-</i>
- <i>Assets other than financial instruments and cash</i>	<i>-</i>	<i>-</i>

The item "Deposited third-party securities" of which financial tools and other securities issued by the bank (equity securities)" also includes some owned securities for a value of EUR 17.800.000.

Table 21.2 | Mediation for third parties: execution of orders

	31/12/2017	31/12/2016
Purchases	71.535.606	93.906.351
<i>of which purchases not settled at the reference date</i>	<i>248.495</i>	<i>121.175</i>
Sales	32.072.460	63.171.892
<i>of which sales not settled at the reference date</i>	<i>50.207</i>	<i>124.310</i>

Table 21.3 | Composition of Indirect Deposits by economic activity sector

	<i>31/12/2017</i>	<i>31/12/2016</i>
<i>Public administrations</i>	-	-
<i>Financial companies:</i>	4.108.496	3.477.225
- <i>Monetary financial institutions</i>	-	-
- <i>Investment funds other than money market funds</i>	-	-
- <i>Other financial institutions</i>	4.108.496	3.477.225
- <i>Insurance companies</i>	-	-
- <i>Pension funds</i>	-	-
<i>Non-financial companies</i>	18.043.457	4.342.244
<i>of which persons deleted from the Register of Authorized Entities</i>	-	-
- <i>Industry</i>	6.032.788	2.414.233
- <i>Building</i>	156.883	-
- <i>Services</i>	10.370.862	1.844.511
- <i>Other non-financial companies</i>	1.482.924	83.500
<i>Households and non-profit institutions serving households:</i>	201.029.130	126.830.346
- <i>Consumer families</i>	200.050.679	126.508.189
- <i>Non-profit institutions serving households:</i>	978.451	322.157
<i>Other</i>	-	-
Total	223.181.083	134.649.815

Table 21.4 | Trust activity

	<i>31/12/2017</i>	<i>31/12/2016</i>
<i>Transferable assets:</i>	73.219.948	67.409.491
- <i>financial instruments</i>	66.240.263	51.028.178
- <i>liquid assets</i>	6.979.685	16.381.313
<i>Company holdings:</i>	295.040	541.071
- <i>units or shares of joint-stock companies</i>	50.440	125.309
- <i>shareholders' loans</i>	244.600	415.761
- <i>liquid assets</i>	-	1
<i>Loans to third parties:</i>	-	-
- <i>financial instruments</i>	-	-
- <i>liquid assets</i>	-	-
<i>Other movable or intangible assets:</i>	-	-
- <i>movable or intangible assets</i>	-	-
- <i>liquid assets</i>	-	-
Total of trust activity	73.514.988	67.950.562
<i>of which total liquid assets</i>	6.979.685	16.381.314

Table 21.5 | Assets held when acting as trustee

	31/12/2017	31/12/2016
Assets:		
- Cash and cash equivalents	-	-
- Loans	-	-
- Securities:	-	-
- Debt securities	-	-
- Capital securities	-	-
- CIS	-	-
- Other	-	-
- Shareholding	-	-
- Other financial assets	-	-
- Immovable assets	-	-
- Registered movable assets	-	-
- Other products and services	-	-
Total assets held in Trust	-	-
Liabilities:		
- Debts	-	-
- Other liabilities	-	-
Total liabilities held in Trust	-	-
Operating income and charges:		
- Income related to assets in Trust	-	-
- Charges related to assets in Trust	-	-
Difference between income and charges	-	-

Table not valued as data not present.

Section F - INFORMATION ABOUT THE PROFIT AND LOSS ACCOUNT

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

Table 22.1 | Composition of item 10 "Interests received and proceeds"

	31/12/2017	31/12/2016	Amount	Variations
				%
<i>On Treasury securities and other financial instruments eligible for refinancing with central banks:</i>	-	-		
- Treasury Securities and other similar financial instruments	-	-		
- Other financial instruments eligible for refinancing with central banks	-	-		
<i>On inter-bank loans:</i>	47.997	171.530	(123.533)	(72,02%)
- Current accounts	47.583	114.063	(66.480)	(58,28%)
- Deposits	-	57.467	(57.467)	(100,00%)
- Other loans	414	-	414	-
<i>of which on financial leases</i>	-	-	-	-
<i>On customer loans:</i>	4.911.635	4.879.399	32.236	0,66%
- Current accounts	819.137	925.451	(106.314)	(11,49%)
- Deposits	-	-	-	-
- Other loans	4.092.498	3.953.948	138.550	3,50%
<i>of which on financial leases</i>	949.182	918.131	31.051	3,38%
<i>On debt securities from banks:</i>	-	-	-	-
- Certificates of deposit	-	-	-	-
- Bonds	-	-	-	-
- Other financial instruments	-	-	-	-
<i>On financial debt instruments from customers (issued by other issuers):</i>	7.590.492	6.471.419	1.119.073	17,29%
- Bonds	7.590.492	6.471.419	1.119.073	17,29%
- Other financial instruments	-	-	-	-
Total	12.550.124	11.522.348	1.027.776	8,92%

Table 22.2 | Composition of item 20 “Interests paid and costs”

	31/12/2017	31/12/2016	Amount	Variations %
<i>On debts with banks:</i>	99.282	41.594	57.688	138,69%
- Current accounts overdrafts	13.005	20.223	(7.218)	(35,69%)
- Deposits	41.248	7.277	33.971	466,83%
- Other debts	45.029	14.094	30.935	219,49%
<i>On debts with customers:</i>	978.536	1.098.326	(119.790)	(10,91%)
- Current accounts overdrafts	693.032	664.264	28.768	4,33%
- Deposits	22.112	79.734	(57.622)	(72,27%)
- Other debts	263.392	354.328	(90.936)	(25,66%)
<i>On debts represented by securities with banks</i>	-	-	-	-
<i>of which on certificates of deposit</i>	-	-	-	-
<i>On debts represented by securities with customers</i>	3.967.485	4.675.170	(707.685)	(15,14%)
<i>of which on certificates of deposit</i>	1.996.258	2.826.943	(830.685)	(29,38%)
<i>On subordinated liabilities</i>	-	-	-	-
<i>of which on hybrid capitalization instruments</i>	-	-	-	-
Total	5.045.303	5.815.090	(769.787)	(13,24%)

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

Table 23.1 | Composition of item 30 “Dividends and other revenues”

	31/12/2017	31/12/2016	Amount	Variations %
<i>On shares, quotas and other capital financial instruments</i>	-	-	-	-
<i>On holdings</i>	-	-	-	-
<i>On holdings in bank group companies</i>	-	-	-	-
Total	-	-	-	-

Table not valued as data not present.

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

Table 24.1 | Composition of item 40 “Commissions earned”

	31/12/2017	31/12/2016	Amount	Variations %
<i>Guarantees issued</i>	35.848	28.551	7.297	25,56%
<i>Credit derivatives</i>	-	-	-	-
<i>Investment services:</i>	1.329.075	278.586	1.050.489	377,08%
- receipt and transmission of orders (let. D 1 enc.1 LISF)	-	221.564	(221.564)	(100,00%)
- execution of orders (let. D2 enc.1 LISF)	194.100	30.022	164.078	546,53%
- management of securities portfolio (let. D4 enc.1 LISF)	1.134.975	-	1.134.975	-
- placement of securities (let.D5 and D6 enc.1 LISF)	-	27.000	(27.000)	(100,00%)
<i>Consultancy services</i>	-	-	-	-
<i>Distribution of third-party services and products other than placement:</i>	-	524.310	(524.310)	(100,00%)
- asset management	-	524.310	(524.310)	(100,00%)
- insurance products	-	-	-	-
- other services or products	-	-	-	-
<i>Collection and payment services</i>	256.110	245.951	10.159	4,13%
<i>Custodian bank services</i>	-	-	-	-
<i>Securities custody and management</i>	35.787	31.537	4.250	13,48%
<i>Trust services</i>	6.652	9.950	(3.298)	(33,15%)
<i>Operation of tax services and treasury</i>	-	-	-	-
<i>Currency transactions</i>	41.639	47.922	(6.283)	(13,11%)
<i>Commissions for collective management services (letters E and F, Annex 1 LISF)</i>	-	-	-	-
<i>Electronic money</i>	63.234	29.834		
<i>Issuance/management of credit/debit cards</i>	181.952	112.176		
<i>Other services</i>	429.816	326.728	103.088	31,55%
Total	2.380.113	1.635.545	744.568	45,52%

Table 24.2 | Composition of item 5 “Commissions paid”

	31/12/2017	31/12/2016	Amount	Variations %
Guarantees received	50	-	50	-
Credit derivatives	-	-	-	-
Investment services:	370.063	346.902	23.161	6,68%
- receipt and transmission of orders (let. D 1 enc.1 LISF)	-	-	-	-
- execution of orders (let. D2 enc.1 LISF)	152.103	125.325	26.778	21,37%
- management of securities portfolios (let. D4 enc.1 LISF):	217.960	221.577	(3.617)	(1,63%)
- own portfolio	57.116	84.263	(27.147)	(32,22%)
- third-party portfolio	160.844	137.314	23.530	17,14%
- placement of securities (let. D5 and D6 enc.1 LISF)	-	-	-	-
Door-to-door sale of financial instruments, products and services	-	-	-	-
Collection and payment services	148.103	125.932	22.171	17,61%
Commissions for distributors	-	-	-	-
Electronic money	51.637	23.359	28.278	121,06%
Issuance/management of credit/debit cards	148.582	70.076	78.506	112,03%
Other services	27.604	23.850	3.754	15,74%
Total	746.039	590.119	155.920	26,42%

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

Table 25.1 | Composition of item 60 “Profits (losses) from financial operations”

	Securities transactions	Currency transactions	Transaction on precious metals	Other transactions
Revaluations	2.472.600	-	-	-
Write-downs	1.364.150	-	-	-
Other profits / losses (+/-)	1.357.868	80.894	-	-
Total	2.466.318	80.894	-	-
of which Government securities	135.814	-	-	-
of which Other debt financial instruments	2.320.075	-	-	-
of which Capital financial instruments	10.429	-	-	-
of which Contracts derived from financial instruments	-	-	-	-

The items “Revaluations” and “Writedowns” include the capital gains and losses recognized on the value of securities in the trading portfolio at 31/12/2017. The item “Other profits/losses” includes the profits and losses deriving from negotiation and trading of financial instruments and from transactions involving the purchase and sale of currencies other than the Euro.

26. Other operating income (item 70 of the profit and loss account) and Other operating charges (item 80 of the profit and loss account)

Table 26.1 | Composition of items 70 - 80 "Other operating income", "Other operating charges"

	31/12/2017	31/12/2016	Amount	Variations %
Other operating income:				
- Expense recovery	413.285	345.574	67.711	19,59%
- Rental income capital	5.757.606	5.243.063	514.543	9,81%
Total	6.170.891	5.588.637	582.254	10,42%
Other operating charges				
Total	-	-	-	-

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

Table 27.1 | Number of employees by category

	Average	Number as at 31/12/2017	Number as at 31/12/2016
Senior managers	13,00	13	13
Managers	1,00	1	1
Remaining personnel:	29,00	31	28
- Office employees	29,00	31	28
- Other personnel	-	-	-
Total	43,00	45	42

As a result of the development plan, the employed personnel increased of 3 units, bringing the total number of employees from 42 at the end of the year 2016 to the current number of 45. The workforce consists of 13 directors (1 general manager, 2 deputy general managers and 10 officials responsible for the operational areas and branches), 1 manager and 31 employees. 62% of current employees are male while the remaining 38% are female.

Table 27.2 | Composition of sub-item b) “Other administrative costs”

	31/12/2017	31/12/2016	Amount	Variations
				%
Other administrative expenses	1.723.480	1.512.251	211.229	13,97%
- of which remuneration for independent auditors	30.000	30.000	-	-
- of which for services other than budget review	-	-	-	-
- of which Other:	1.693.480	1.482.251	211.229	14,25%
(a) services	278.430	223.681	54.749	24,48%
(b) consumable materials	64.901	59.073	5.828	9,87%
(c) rental expenses	127.940	125.066	2.874	2,30%
(d) network service fees	393.603	348.149	45.454	13,06%
(e) insurance	80.224	69.934	10.290	14,71%
(f) maintenance and repair	52.874	38.857	14.017	36,07%
(g) utilities and service fees	92.956	93.379	(423)	(0,45%)
(h) supervisory and associative burdens	353.008	323.793	29.215	9,02%
(i) Taxes and duties	8.509	18.227	(9.718)	(53,32%)
(l) other general expenses	241.035	182.092	58.943	32,37%

As in the past, the item under consideration shows a proper cost management and monitoring policy.

Table 27.3 | Remuneration

	31/12/2017	31/12/2016	Amounts	Variations
				%
(a) Directors	86.411	61.063	25.348	41,51%
(b) Auditors	39.000	39.197	(197)	(0,50%)
(c) Management	-	-	-	-
Total	125.411	100.260	25.151	25,09%

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

Table 28.1 | Composition of items 100-110 “Value adjustments on tangible and intangible fixed assets”

	31/12/2017	31/12/2016	Amount	Variations %
(a) Intangible fixed assets	222.340	165.694	56.646	34,19%
of which on assets leased	-	-	-	-
of which on other intangible assets:	222.340	165.694	56.646	34,19%
- Software	90.773	78.296	12.477	15,94%
- Multi-year fees	131.567	87.398	44.169	50,54%
(b) Tangible fixed assets	6.012.891	5.460.415	552.476	10,12%
of which on assets leased	5.757.606	5.243.062	514.544	9,81%
of which on other tangible assets:	255.285	217.353	37.932	17,45%
- Lands and buildings	85.959	68.319	17.640	25,82%
- Furniture	42.776	38.271	4.505	11,77%
- Systems and technical equipment	61.814	66.561	(4.747)	(7,13%)
- Electronic office devices	55.582	35.048	20.534	58,59%
- Vehicles	9.154	9.154	-	-
Total	6.235.231	5.626.109	609.122	10,83%

The difference compared to the previous financial year is due to the value adjustments on the purchase of new capital equipment to carry out the banking activity in addition to the net value of the assets held under finance leases reported in items 90 and 100 of Assets in the Balance Sheet. The latter will not have an impact in the operating result as they will be offset from registration under the item 70 “Other operating income” of the part of capital relating to finance lease.

Table 28.2 | Composition of item 120 “Provisions for risks and charges”

	31/12/2017	31/12/2016	Amount	Variations %
Provisions (relating to sub-item “Other funds” of liabilities)	-	50.000	(50.000)	(100,00%)

This item comprises a prudential provision covering possible controversies that may arise from the cash segment management.

Table 28.3 | Item 130 “Allowances for possible loan losses”

	31/12/2017	31/12/2016	Amount	Variations %
Provisions (relating to item “Credit risk funds” of liabilities)	-	-	-	-

Table not valued as data not present.

Table 28.4 | Composition of item 140 “Value adjustments on credits and provisions for guarantees and commitments”

	31/12/2017	31/12/2016	Amount	Variations %
Value adjustments on credits	2.604.519	2.276.780	327.739	14,39%
of which:				
- lump-sum adjustments for country risk	-	-	-	-
- other lump-sum adjustments	140.182	22.165	118.017	532,45%
Provisions for guarantees and commitments	-	-	-	-
of which:				
- lump-sum adjustments for country risk	-	-	-	-
- other lump-sum provisions	-	-	-	-
Total	2.604.519	2.276.780	327.739	14,39%

With a view to controlling and managing, to cover the insolvency risk, the Bank made prudent provisions based on presumable realizable value.

Table 28.5 | Different types of movements of the financial year

	31/12/2017		31/12/2016	Variations	
	Analytical	Lump sum	Amount	%	
(A) Total cash credit write-downs:	1.556.131	140.182	2.087.342	(391.029)	(18,73%)
- Non-performing loans	708.038	-	699.407	8.631	1,23%
- Substandard loans	411.234	-	846.272	(435.038)	(51,41%)
- Other loans	436.859	140.182	541.663	35.378	6,53%
(B) Total losses on cash credits:	908.206	-	189.438	718.768	379,42%
- Non-performing loans	174.733	-	76.481	98.252	128,47%
- Substandard loans	879	-	109.960	(109.081)	(99,20%)
- Other loans	732.594	-	2.997	729.597	24.344,24%
Total cash value adjustments (A+B)	2.464.337	140.182	2.276.780	327.739	14,39%
(C) Total advances on guarantees and commitments:	-	-	-	-	-
- Guarantees	-	-	-	-	-
- Commitments	-	-	-	-	-
Total	2.464.337	140.182	1.878.140	726.379	38,68%

Table 28.6 | Composition of item 150 “Value adjustments and provisions for guarantees and commitments”

	31/12/2017	31/12/2016	Amount	Variations %
Writebacks	297.579	665.651	(368.072)	(55,30%)
- of which on non-performing loans	161.852	190.686	(28.834)	(15,12%)
- of which on substandard loans	52.592	366.521	(313.929)	(85,65%)
- of which on other credits	83.135	108.444	(25.309)	(23,34%)

Table 28.7 | Composition of item 160 “Value adjustments on fixed financial assets”

	31/12/2017	31/12/2016	Amount	Variations
				%
Value adjustments	-	500.000	(500.000)	(100,00%)
- of which on investments	-	-	-	-
- of which on investments in group companies	-	-	-	-
- of which on investments in associated companies	-	-	-	-
- of which on investments valued at equity	-	-	-	-
- of which on other capital financial instruments	-	-	-	-
- of which on debt financial instruments	-	500.000	(500.000)	(100,00%)
- of which on derivative financial instruments	-	-	-	-

Table 28.8 | Composition of item 170 “Value recoveries on fixed financial assets”

	31/12/2017	31/12/2016	Amount	Variations
				%
Value recoveries	-	-	-	-
- of which on investments	-	-	-	-
- of which on investments in controlled companies	-	-	-	-
- of which on investments in associated companies	-	-	-	-
- of which on investments valued at equity	-	-	-	-
- of which on other capital financial instruments	-	-	-	-
- of which on debt instruments	-	-	-	-
- of which on derivative financial instruments	-	-	-	-

Table not valued as data not present.

29. Extraordinary income (item 190 of the profit and loss account) and extraordinary expenses (item 200 of the profit and loss account)

Table 29.1 | Composition of items 190 “Extraordinary income” and 200 “Extraordinary expenses”

	31/12/2017	31/12/2016	Amount	Variations
				%
Extraordinary income:				
- Profit from realization of investment securities	1.678.814	963.677	715.137	74,21%
- Capital gains	2.000	-	2.000	-
- Other	9.098	33.067	(23.969)	(72,49%)
Totale	1.689.912	996.744	693.168	69,54%
Extraordinary expenses:				
- Losses from realization of investment securities	109.236	63388	45.848	72,33%
- Non-deductible charges	225.975	393	225.582	57.400,00%
- Other	25	0	25	-
Total	335.236	63.781	271.455	425,60%

The item mainly consists of profits generated from the realization of investment securities for Euro 1,678,814, and other income for Euro 9,098.

Item "Extraordinary expenses" includes losses from the realization of investment securities for Euro 109,236 and other non-deductible expenses referring to an adjustment for previous years of Euro 217,690, as well as invoices for previous years received in 2017 for Euro 8,285.

30. Change in the General financial risk fund (item 230 of the profit and loss account)

Table 30.1 | Composition of item 230 "Change in the General financial risk fund"

	31/12/2017	31/12/2016	Amount	Variations
				%
<i>Change in the General financial risk fund</i>	500.000	3.000.000	(2.500.000)	(83,33%)

Section G - OTHER INFORMATION TABLES

31. Prudential aggregates

Table 31.1 | Prudential aggregates

	<i>Amount / %</i>
<i>Regulatory capital</i>	
- Core capital	32.323.872
- Supplementary capital	-
- Deductions	2.171.202
- Regulatory capital	30.152.670
<i>Risk assets and supervisory ratios</i>	
- Weighted risk assets	163.012.586
- Regulatory capital / Weighted risk assets	18,50%

The bank has assets suitable for hedging potential risks, highlighting a total capital ratio of 18.50% which is therefore well above the minimum requirement of 11%.

32. Major risks and related parties

Table 32.1 | Major risks

	<i>31/12/2017</i>	<i>31/12/2016</i>	<i>Amount</i>	<i>Variations</i> %
<i>Amount</i>	25.372.966	24.031.684	1.341.282	5,58%
<i>Number</i>	6	7	(1)	(14,29%)

Table 32.2 | Risks to related parties

	<i>31/12/2017</i>	<i>31/12/2016</i>	<i>Amount</i>	<i>Variations</i> %
<i>Amount</i>	6.406.283	10.202.453	(3.796.170)	(37,21%)
<i>Number</i>	10	11	(1)	(9,09%)

33. Time distribution of assets and liabilities

Table 33.1 | Time distribution of assets and liabilities

	Total	Sight	Up to 3 months	From 3 months to 6 months	From 6 months to 1 year	From 1 year to 18 months	From 1 year to 18 months	From 18 months to 2 years	From 18 months to 2 years	From 2 years to 5 years	From 2 years to 5 years	More than 5 years	More than 5 years	No term
	Fixed rate (F) – Variable rate (V)													
	ASSETS													
Treasury securities and other financial instruments eligible for refinancing with central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans to credit institutions	96.289.813	77.509.862	17.690.512	60.057	-	-	-	-	-	-	-	-	-	1.029.382
Loans to customers	119.638.153	16.551.456	14.416.064	6.872.484	6.911.145	661.412	4.021.357	565.730	4.395.041	1.913.535	18.030.479	3.374.122	37.265.236	4.660.092
Bonds and other debt financial instruments	220.219.009	-	11.185.527	8.939.959	11.129.500	8.243.363	2.761.368	8.002.064	965.117	43.107.817	26.569.431	34.335.368	64.979.495	-
Off-balance sheet transactions	16.047.670	335.900	3.547.255	3.241.646	4.314.754	-	-	294.158	-	954.772	-	3.359.185	-	-
	LIABILITIES													
Payables to credit institutions	1.540.814	200.736	23.192	-	1.316.886	-	-	-	-	-	-	-	-	-
Payables to customers	222.182.164	205.111.193	10.836.848	5.745.709	488.414	-	-	-	-	-	-	-	-	-
	Payables represented by financial instruments:													
- Bonds	54.894.183	-	14.499.706	14.914.451	-	2.132.472	-	-	-	23.347.554	-	-	-	-
- Certificates of deposit	130.422.888	-	56.148.599	30.041.922	31.570.031	7.259.811	2.284.915	2.545.030	-	572.580	-	-	-	-
- Other financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities: cheques in circulation and similar securities	670.814	670.814	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	9.792.910	-	2.465.318	3.167.727	4.159.865	-	-	-	-	-	-	-	-	-

This table represents a breakdown of the residual life of assets and liabilities in the balance sheet. The column "Without maturity" includes non-performing loans as well as receivables for which no pertinent timing allocation was identified.

34. Securitization transactions

The bank did not carry out any securitization transactions.

35. Payment institutions and electronic money institutions: further information

Section 35 is not completed as it does not fall within the requested case.

36. More information on credit cards/debit cards/e-money

Table 36.1 | Volumes of payment transactions

Type of operations	31/12/2017				31/12/2016			
	Amount of operations	Number of operations	Commissions received	Expense recoveries	Amount of operations	Number of operations	Commissions received	Expense recoveries
(a) Credit cards	9.691.272	11.490	130.618	106.663	2.148.689	2.733	68.509	42.797
(b) Debit cards	3.808.745	56.851	51.334	41.919	117.455	1.742	43.667	27.279
(c) Electronic money	4.691.682	44.454	63.234	51.637	3.907.478	32.438	29.834	23.359
Total	18.191.699	112.795	245.186	200.219	6.173.622	36.913	142.010	93.435

Table 36.2 | Fraudulent uses

<i>Type of operations</i>	<i>31/12/2017</i>				<i>31/12/2016</i>			
	<i>Amount of operations</i>	<i>Number of operations</i>	<i>Charges for the intermediary</i>	<i>Insurance reimbursements</i>	<i>Amount of operations</i>	<i>Number of operations</i>	<i>Charges for the intermediary</i>	<i>Insurance reimbursements</i>
<i>(a) Credit cards</i>	5.491	24	-	-	-	-	-	-
<i>(b) Debit cards</i>	-	-	-	-	-	-	-	-
<i>(c) Electronic money</i>	46	4	-	-	163	1	-	-
<i>Totale</i>	5.537	28	-	-	163	1	-	-

Table 36.3 | Credit cards revoked due to insolvency

<i>Risk operation type</i>	<i>31/12/2017</i>		<i>31/12/2016</i>	
	<i>Amount</i>	<i>Number of cards</i>	<i>Amount</i>	<i>Number of cards</i>
<i>(a) On the intermediary</i>	378	1	-	-
<i>(b) On third parties</i>	-	-	-	-
<i>Total</i>	378	1	-	-

37. Management Company (MC): Information on asset management (collective and individual)

Section 37 is not completed as it is not applicable.

Section H - OTHER INFORMATION

None.

BANCA SAMMARINES DI INVESTIMENTO S.P.A.

Via Monaldo da Falciano no. 3 – Rovereta (R.S.M.)

Companies Register registration no. 2771 of 29/05/2002

Share capital € 20.000.000 fully paid in – Economic Operator Code SM18493

*** **

**REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE FINANCIAL
STATEMENTS FOR THE YEAR CLOSED AS AT 31.12.2017**

*** **

Dear Shareholders,

the draft financial statements for the year ended 31 December 2017, accompanied by the required Report of the Board of Directors, which is submitted for your approval, were prepared in accordance with the provisions of Law no. 47 of 23 February 2006 and subsequent amendments, Law 165/2005 (LISF) and what was issued by the Central Bank - Supervision Division and in particular Regulation 2/2008 and subsequent amendments, concerning the explanatory notes.

The aforementioned document consists therefore of the statement of assets and liabilities, the profit and loss account and the explanatory notes.

The Report of the Auditing Company containing the opinion on the compliance of the financial statements for the year ended 31 December 2017 with the rules governing the drafting criteria was also made available to the Board of Statutory Auditors. The Report contains an information note regarding the early sale of securities registered in the investment portfolio.

The financial statements, the notes to the financial statements and the Board of Directors' report on the 2017 financial statements were made available to the Board of Statutory Auditors in compliance with the provisions contained in article 83 paragraph 1 of Law 47/2006.

The statement of assets and liabilities and the profit and loss account have the following values:

Statement of assets and liabilities:		
ASSETS		
Intangible fixed assets	Euro	996,902
Tangible fixed assets net of funds	Euro	28,196,122
Current assets: cash and cash equivalents	Euro	97,997,743
Current assets (net of the Allowance for doubtful accounts): loans and securities	Euro	339,670,948
Accrued income and prepaid expenses	Euro	221,761
TOTAL ASSETS	Euro	467,083,476
Net equity		
Share capital	Euro	20,000,000
Other reserves	Euro	4,749,153
Current earnings (losses)	Euro	4,571,621
LIABILITIES		
Employees' termination benefits provision	Euro	304,567
Provisions	Euro	401,242
Provisions for general banking risks	Euro	5,000,000
Subordinate liabilities	Euro	0
Payables to banks	Euro	1,540,814
Payables to customers, securities and others	Euro	430,364,685
Accrued liabilities and deferred income	Euro	151,394
TOTAL LIABILITIES AND NET EQUITY	Euro	467,083,476
Guarantees, commitments, risks and order accounts	Euro	80,800,573
Profit and loss account:		
Positive components	Euro	25,635,831
Negative components	Euro	21,064,210
Current earnings (losses)	Euro	4,571,621

The Board of Statutory Auditors performed its duties in compliance with the supervisory regulations in force and with the provisions of Law 47/2006 and subsequent amendments, while, as regards the functions relating to accounting audit, an auditing company was duly appointed.

SUPERVISORY ACTIVITY

During the year ended 31 December 2017, the Board of Statutory Auditors supervised the compliance with the law and the by-laws, the principles of correct administration and, to the extent of its responsibility, the adequacy of the accounting administrative system, according to the principles enunciated by the professional bodies.

With regards to the performance of the assignment, it informs that:

- it participated in the shareholders' meetings and the Board of Directors' meetings;

- it obtained from the administrative body information on the activities carried out and on the most important economic, financial and equity operations carried out by the company. Therefore, it can guarantee that the actions taken comply with the law and the bylaws;
- during the supervisory activity, no complaints were received pursuant to art. 65 of Law 47/2006; moreover, no complaints were filed pursuant to art. 66 of the same Law 47/2006;
- it was not informed of any omissions, reprehensible facts, limitations, exceptions or irregularities that would require express mention in this report;
- it ascertained the adequacy of the administrative accounting system and its ability to correctly represent management facts by examining company documents.

All in all, with reference to the activity carried out, the Board of Statutory Auditors has nothing to report.

With regard to the financial statements for the year ended 31 December 2017, the Board of Statutory Auditors monitored their general structure, as well as their compliance with the provisions of law on their preparation. It should be noted that the draft financial statements were drawn up with adequate and correct evaluation criteria, compared with those of previous years, in compliance with the provisions issued by the Central Bank - Supervision Division.

The Board of Statutory Auditors has no particular fact to report.

The 2017 financial year highlights a positive result of € 4,571,621 and, in the Explanatory Notes the Board of Directors illustrated the valuation criteria adopted for the various items and provided the required information on both the statement of assets and liabilities and the profit and loss account.

During the year there were no exceptional cases that required the use of exemptions pursuant to article 75 of Law no. 47/2006.

The Board of Statutory Auditors ascertained that the financial statements corresponded to the facts and information of which it was aware through the activity requested by its office and has nothing to report on this.

In conclusion, based on the information received from the company and obtained through the supervisory activity carried out, there are no comments reservations to make.

Therefore, the Board of Statutory Auditors calls upon the Shareholders' Meeting to approve the financial statements for the year closed as at 31 December 2017, as prepared by the Board of Directors, and entrusts the Shareholders' Meeting with any resolution regarding the allocation of profits in compliance with the articles of association.

The members of the Board of Statutory Auditors, pursuant to article 6 of Law no. 47 of 23/02/2006 as amended, certify, under their personal responsibility, the permanence of the objective and subjective conditions provided for by law for the office held and that they do not fall within the conditions provided for by article 60 of the same law.

San Marino, April 17, 2018

The Board of Statutory Auditors
Avv. Alfredo Amici (Chairman)

Rag. Marco Cevoli

Avv. Alessandro Olei

REVIPRO

BANCA SAMMARINESE D'INVESTIMENTO S.p.A.

**Via Monaldo da Falciano, 3
47891 - ROVERETA
Republic of San Marino**

Auditing firm's report pursuant to the combined provisions of article 33, paragraph 1, letter A of Law no. 165 of 17 November 2005 as amended (LISF) and article 68, paragraph 1, points 2) and 3) of Law no. 47 of 23 February 2006 as amended (Companies Act).

Financial statements as of 31 December 2017

AUDITING FIRM'S REPORT

To the Shareholders of

BANCA SAMMARINESE D'INVESTIMENTO S.p.A.

Report on the Financial Statements as of 31 December 2017

Introduction

We audited the financial statements of BANCA SAMMARINESE D'INVESTIMENTO S.p.A. (hereinafter referred to as the Company), made up of the statement of assets and liabilities as at 31 December 2017, the profit and loss account for the year closed as at such date and the explanatory notes, in accordance with Regulation no. 2016-02, issued by the Central Bank of the Republic of San Marino, which governs their preparation.

Scope of the legal audit

We carried out the audit in compliance with the regulations in force in the Republic of San Marino and, where applicable, with the international auditing standards. Our responsibilities under these principles are further described in the section of this report entitled Responsibilities of the auditing firm for the audit of financial statements. We are independent of the Company in compliance with the rules and principles on ethics and independence applicable in the San Marino system to the audit of financial statements. We believe that we acquired sufficient and appropriate audit evidence on which to base our judgment.

Responsibility of the directors and the board of statutory auditors for the financial statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the legislation in force in the Republic of San Marino on their preparation, and within the terms provided for by law, for the part of internal audit deemed necessary by the directors themselves to allow the preparation of financial statements without significant errors due to fraud or unintentional behaviour or events.

The directors are responsible for the assessment of the Company's ability to continue operating as an operating entity and, in preparing the financial statements, 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 financial statements unless they have considered that the conditions exist for the liquidation of the Company or the interruption of business, or have no realistic alternatives to such choices.

The statutory auditors are responsible for supervising, within the terms provided for by law, the process of preparing the Company's financial policy.

Responsibility of the auditing firm for the audit of the financial statements

Our objective is to acquire reasonable certainty that the financial statements as a whole do not contain significant errors, due to fraud or unintentional behaviour or events, and to issue an audit report that includes our judgment. Reasonable certainty means a high level of security which, however, does not provide the assurance that an audit carried out in compliance with the legislation in force in the Republic of San Marino and, where applicable, with the international auditing standards, will always identify a significant error, if existing. Errors can result from fraud or unintentional behaviour or events and are considered significant if it can reasonably be expected that they, individually or as a whole, are able to influence the economic decisions made by the users on the basis of the financial statements.

As part of the audit carried out in accordance with the legislation in force in the Republic of San Marino and, where applicable, the international auditing standards, we exercised our professional judgment and maintained professional scepticism throughout the audit. Furthermore:

- we identified and assessed the risks of material errors in the financial statements due to fraud or unintentional behaviour or events; we defined and performed audit procedures in response to these risks; we acquired sufficient and appropriate audit evidence on which to base our judgment. The risk of not identifying a significant error due to fraud is higher than the risk of not identifying a significant error arising from unintentional behaviour or events, since fraud may imply the existence of collusion, forgery, intentional omissions, misleading representations or internal audit forcing;
- we acquired a relevant understanding of the internal control 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 Company;
- we assessed the appropriateness of the accounting principles used, as well as the reasonableness of accounting estimates made by the directors, including the related disclosure;
- we reached a conclusion on the appropriateness of the use of the business continuity assumption by the directors and, based on the audit evidence, on the presence of significant uncertainty regarding events or circumstances that may give rise to significant doubts about the Company's ability to continue operating as an operating entity;
- in the presence of significant uncertainty, we are required to draw the attention in the audit report to the related disclosure, or, if such disclosure is inadequate, to reflect this fact in the formulation of our judgment. 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 Company ceasing to operate as an operating entity;
- we assessed the presentation, structure and content of the financial statements as a whole, including the disclosure, and whether the financial statements represent the underlying transactions and events in order to provide a correct representation.

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

Judgment

In our opinion, the financial statements give a true and fair view of the equity and financial position of BANCA SAMMARINESE D'INVESTIMENTO S.p.A. as at 31 December 2017 and the economic result for the year closed as at such date.

A note to public disclosure

Without prejudice to our judgment, we call attention to the advanced sale of securities recorded in the investment portfolio described by the Directors in the explanatory notes and to the reasons provided therein.

Report on other provisions of law and regulations

Judgment pursuant to article VIII.I.1, paragraph 2, letter a) and b) of Regulation no. 2016-02 issued by the Central Bank of the Republic of San Marino (the Regulation)

The directors of BANCA SAMMARINESE D'INVESTIMENTO S.p.A. are responsible for the preparation of the management report as at 31 December 2017, including its consistency with the related financial statements and its compliance with the Regulation.

We carried out the procedures indicated in the Regulation in order to express an opinion on the consistency of the management report with the financial statements of the Company as at 31 December 2017 and on its compliance with the Regulation, as well as to issue a declaration on any relevant incorrect statements.

In our opinion, the management report is consistent with the financial statements of BANCA SAMMARINESE D'INVESTIMENTO S.p.A. as at 31 December 2017 and drafted in compliance with the Regulation.

With reference to the declaration referred to in article VIII.I.1, paragraph 2, letter b) of the Regulation, based on the knowledge and understanding of the company and the related context acquired during the audit, we have nothing to report.

San Marino, 12 April 2018

REVIPRO S.R.L.

Alessia Scarano
Auditor