BSI
banca sammarinese
di investimento

Annual Report
2018

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CORPORATE OFFICIERS AS OF 31/12/2018

S.P.A. BANCA SAMMARINESE DI INVESTIMENTO

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Share Capital 21.500.000 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 Paolo Mularoni Ferdinando Novara	Directors
	Board of Auditors
Alfredo Amici	Chairman
Marco Cevoli Alessandro Olei	Standing auditors
Gabriele Monti	**Managing Director**
AB&D Audit Business Development S.p.A.	**Auditing Firm**

PRESENCE WITHIN THE TERRITORY: BRANCHES

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BOARD OF DIRECTORS' REPORT ON MANAGEMENT

MACROECONOMIC SCENARIO

In 2018 the global economy kept growing, but the prospects for world trade are weaker. Numerous risk factors weigh on the expansion of international economic activity: the repercussions of a negative outcome of the commercial negotiations between the United States and China, the recurrence of financial tensions in emerging countries, the conclusion of the UK exit from the European Union (Brexit).

In the third quarter of 2018 economic activity in the main advanced economies had differentiated trends (Table 1).

Table 1 – GDP growth (percentage points)

Advanced countries	2017	2nd quarter 2018	3rd quarter 2018
Japan	1,9	2,8	-2,5
United Kingdom	1,8	1,7	2,5
United States	2,2	4,2	3,4
Eurozone (average)	2,4	0,4	0,2
Italy	1,6	0,2	-0,1
Emerging countries			
Brazil	1,1	0,9	1,3
China	6,9	6,7	6,5
India	6,3	8,2	7,1
Russia	1,6	1,9	1,5
San Marino	1,6	1,4	1,4

Source: Thomson Reuters Datastream; OECD Economic Outlook; Bank of Italy for world trade.

According to the most recent indicators, in the final part of the year the growth rate remained strong in the United States and returned positive in Japan, after the marked contraction of the product recorded in the third quarter, due to the natural disasters that hit the country. In the United Kingdom, the expansion remained in line with the average of the first half. Looking ahead, cyclical conditions will deteriorate, especially in the Eurozone and in the United States. Finally, the uncertainty regarding the future economic relations between the United Kingdom and the European Union (EU) remains high, following the vote of the British Parliament that has not ratified the negotiation agreement reached in November by the government.

Among the major emerging economies, the slowdown in Chinese economic activity, which has been underway since the beginning of 2018, has continued even in recent months, despite the fiscal stimulus measures introduced by the government. Cyclical expansion, on the other hand, remained strong in India, albeit at lower rates than in the first part of the year; in Brazil the macroeconomic framework remains fragile.

Consumer inflation declined in the United States and the United Kingdom. In Japan, it fluctuated around 1%, although underlying inflation remains close to zero.

According to OECD data, in 2018 the growth of the global economy was 3.7%, one tenth of a point more than the previous year. In 2019 the world GDP is expected to increase to 3.5%, two tenths of a point less than expected in September: the revision reflects a slight deterioration in prospects in the Eurozone, in Japan and in the main emerging economies, accompanied by an already expected slowdown in the United States, also due to the gradual disappearance of the expansive effects of the fiscal stimulus. On the basis of estimates by the Bank of Italy, international trade seems to have increased by 4.4% in 2018, with a marked slowdown compared to the previous year; in 2019 trade should slow down further to 3.5%, over two percentage points lower than in 2017.

World economy prospects are highly risky. The start of negotiations between the United States and China has not dispelled the uncertainty associated with the possibility that new protectionist measures will weigh on international trade in the coming months. Furthermore, any sudden changes in the premiums in the United States or expectations on the course of the Federal Reserve's monetary policy could lead to a reduction in capital inflows towards emerging economies.

From the beginning of October, crude oil prices fell sharply, mainly due to supply factors, such as the increase in production in the United States, Saudi Arabia and Russia, as well as the resilience of Iran's exports following the temporary easing of sanctions applied by the United States to this country. Prices were then affected by the less optimistic expectations on the demand for oil deriving from the prospects of a slowdown in the world economy. The agreement on new production cuts reached at the beginning of December between the OPEC countries and other producing countries was not enough to stop the descent of rates. In the medium term, *futures* rates forecast a modest increase in prices, currently at around 61 dollars per barrel for Brent, around 25 less than the peak reached at the beginning of last October.

As expected, at the meeting on December 19 the Federal Reserve raised the target range of interest rates on federal funds by 25 basis points, bringing it to 2.25-2.50%; for next year the prices of federal funds *futures* and the expectations of the Federal Open Market Committee herald a more gradual increase in the reference rates. The Bank of England left the reference rate unchanged, in consideration of the growing uncertainties on the evolution of the economic situation and Brexit. The Chinese Central Bank continued to ease monetary conditions and announced the reduction of the mandatory reserve ratio by 100 basis points at the beginning of the year.

Business in the Eurozone slowed down, partly due to temporary factors and partly to a deterioration in business expectations and the weakness of foreign demand. In November, industrial production fell significantly in all major economies. In autumn inflation declined due to the trend of energy prices. The Governing Council of the European Central Bank (ECB) reiterated its intention to preserve a wide degree of monetary accommodation for a long time.

In the third quarter, the area's GDP increased by 0.2% on the previous period, showing a marked slowdown compared to the spring months. The substantial stagnation of exports had an impact. Domestic demand continued to support the product by 0.5 percentage points, driven by the change in inventories and, to a lesser extent, by investments. Business grew in France and decreased in Germany and Italy, also due to the entry into force of the so-called *Worldwide Harmonized Light Vehicles Test Procedures* WLTP concerning emissions in the automotive sector. This legislation caused a standstill both in production and in the registration of motor vehicles; it had a particularly strong impact in Germany and Italy due to the high weight of the sector and related industries. These negative effects are supposed to be partly temporary.
In the last months of the year industrial production suffered a drop higher than expected in Germany, France and Italy. Qualitative information shows modest growth in the last quarter: SME indicators fell both in manufacturing and in services; companies' expectations on foreign sales worsened due to the uncertain prospects for world trade. Even family valuations remain cautious.

Inflation declined in the autumn months, reaching 1.6% at the end of the year, due to the deceleration of energy prices. Inflation averaged 1.7% per year (1.5% in 2017). The underlying inflation remains weak: in December it remained at 1%. Looking ahead, core inflation could be supported by wage increases in some countries from mid-2017. According to Eurosystem projections released in December, inflation is expected to fall to 1.6% in 2019, in line with the expectations of analysts registered by Consensus Economics, and then gradually rise in the following two years. The probability of deflation remained almost nil.

At the end of 2018 the net purchases of assets in the extended program for the purchase of financial assets ended. However, the Governing Council of the ECB reiterated the importance of a broad monetary stimulus to support price developments over the medium term. To this end, it announced its intention to fully reinvest the capital repaid on maturing securities, for a prolonged period of time after the first rise in official rates, and in any case as long as required to preserve a high degree of monetary accommodation.

According to the Council's expectations, the reference interest rates will remain at current levels at least until the summer of 2019 and in any case as long as necessary.

FINANCIAL MARKETS

2018 presents a negative balance for financial markets. Just a few financial assets closed the year with a positive balance.

During the fourth quarter, the yields on ten-year government bonds decreased in all the main economic areas. The global causes of the decline were accompanied in the United States by expectations of greater gradualness in the process of normalizing the monetary policy, and in the United Kingdom by the uncertainty connected with Brexit.

German ten-year government bond interest rates fell 23 basis points in the fourth quarter to stand at 0.24%. The yield spreads between ten-year government bonds and the corresponding German bonds increased by around 20 basis points in Ireland and Spain and by around 10 points in Belgium, France and Portugal.

Starting from the end of the third quarter share prices fell by around 11% on average in all the major advanced economies; in the United States the decline was particularly marked, also reflecting worse global growth prospects; prices partially recovered in recent weeks, after the publication of positive data on the performance of the US labour market.

Starting from late September, conditions on the financial markets of emerging countries were characterized by high volatility. Stock prices, after the losses recorded in the autumn, recovered in recent weeks, at the same time as the start of trade negotiations between China and the United States. The Euro depreciated against the Dollar and against the main trading partners (in nominal effective terms) by around 2%. The net positions in Euros against non-commercial operators' Dollars indicate that the markets expect a further weakening of the common currency.
Starting from mid-November the risk premiums on Italian government bonds dropped significantly, anticipating the achievement, on December 18, of an agreement between the Italian government and the European Commission that avoided the application of a procedure for the excessive deficits.

However, financial market conditions in Italy remain tenser than those observed before the summer. Between the end of September and mid-November 2018, the sovereign risk premium, measured by the spread between Italian and German ten-year government bond yields, increased by around 60 basis points to stand just below 330 points; this reflected both the heightening of uncertainty over the Italian budgetary maneuver for the three-year period 2019-2021 and the dissemination of macroeconomic data worse than expected.

Subsequently, the gradual easing of uncertainties over the Italian budget policy and the achievement of an agreement with the European Commission favored a marked decline in the spread, which returned to its levels at the end of September in mid-January (262 basis points), 65 points below the peak in mid-November.

Starting from the end of September last year, the general index of the Italian stock exchange fell by 6.9%, compared with a 10.6% decline in the leading companies in the Eurozone. The volatility derived from the prices of options on the stock market index remained at as high levels as those observed in the area as a whole.

The prices of credit companies, which decreased on average by 14.1% per cent starting from the end of September, also continued to be affected by signs of worse growth prospects of the Italian and international economy. However, the CDS premiums of the leading Italian banks benefited from the easing of tensions related to budget policy; in mid-January premiums fell by 40 basis points compared to mid-November, after having increased by 55 points in the first part of the fourth quarter of 2018.

According to data provided by Assogestioni, in the third quarter of 2018 there was a net outflow of savings from Italian and foreign open-ended mutual funds (-0.6 billion Euros, against 1.1 billion in the second quarter of 2018). The outflow, partly linked to the deterioration of the conditions of the Government bond market observed starting from May, mainly involved the bond segment (-5.8 billion) and, to a lesser extent, the monetary segment. Instead, deposits were concentrated in the equity and balanced segments (for a total of € 4.4 billion).

In the first eleven months of 2018, net investments in foreign portfolio securities by residents amounted to 51 billion Euros, half of which in mutual funds, showing a marked slowdown compared to the same period of 2017; in October and November they were negative for 9.3 billion.

ECONOMIC TREND IN THE ITALIAN REPUBLIC

Once the expansion of economic activity that had been underway for over three years was interrupted in the third quarter, following the decline in domestic demand, GDP decreased in the last three months of 2018. Business was slowed down above all by the fall in investments (-1.1%), particularly in capital goods, as well as by the slight decline in household spending. The demand was also affected by temporary factors, in particular the stalemate in the production and commercial activities of the automotive sector, caused by the introduction of a new legislation on emissions.

Instead, the recovery of exports continued. Foreign trade provided a positive contribution to growth on the whole: Italian exports accelerated, with a greater increase than imports. The added value decreased both in manufacturing and in services, and it is still increasing in the construction sector. Overall, GDP growth in 2018 amounted to 1% according to annual data.

In November, industrial production fell by 1.6% on the previous month; the fall was common to the other main countries of the Eurozone. The difficulties faced by the automotive sector in the third quarter seem to have contributed to it. On average, the trend in manufacturing activity in 2018 is expected to have dropped to 1.7%, from 3.1% in 2017.

Business confidence deteriorated during fall of last year. Manufacturing indices fell to levels just below the value indicating an expansion; service ones were around this threshold, but they touched the minimum level after five years.

The quarterly survey conducted in December by the Bank of Italy in collaboration with Il Sole 24 Ore provides similar indications: the judgments on both the general economic situation and the demand trend deteriorated, especially with reference to the national component. After having grown by 2.8% in the second quarter, investments fell by 1.1% in autumn. The Bank of Italy-Il Sole 24 Ore survey reports a slowdown in business investment plans for the 2019 complex. The uncertainty attributable to economic and political factors and, to a lesser extent, trade tensions continue to weigh on business activity.

In the summer months the recovery of home purchases continued, in the face of a new decline in prices. According to the cyclical survey on the Italian housing market conducted in October, downward pressures on sales prices eased. Agents' expectations regarding market developments remain favorable on both a short and medium term horizon. However, the most recent indications suggest a slowdown in the construction sector: the construction companies interviewed in the survey carried out in December by the Bank of Italy in collaboration with Il Sole 24 Ore have become less optimistic about the evolution of demand and occupation.

In 2018, household consumption decreased slightly. The most recent information indicates that spending is expected to have remained weak even in the final part of the year, in the face of signals still not encouraging from the labor market.

Households' choices seem to have been affected by the uncertain performance of income conditions: after the marked acceleration in spring, disposable income net of inflation fell by 0.2% on the previous quarter, reflecting less favorable employment dynamics; on the contrary, growth continued in trend terms (0.8%).

In this context, the rising propensity to save continued and reached 8.1%, signaling the intensification of precautionary reasons. At the same time, household confidence, although remaining at high levels, reflected less favorable expectations on the general economic situation and on employment. In the third quarter of 2018, Italian household debt in relation to disposable income remained substantially unchanged (61.3%), at a level well below the average for the Eurozone (94.8%).

After the sharp drop at the beginning of the year and the weakness of the spring months exports accelerated in the third quarter (1.1% in volume, from 0.6 in the second quarter). The export trend was more favourable towards the markets within the European Union (EU), despite the sharp slowdown in sales to Germany, due to the contraction of business in the country. The increase in overall volumes especially concerned the mechanics sector and, to a lesser extent, those of electrical appliances and electronics. On the other hand, exports in the pharmaceutical and transport sector dropped.

The increase in purchases of raw materials and electronic and pharmaceutical products was countered by the sharp decrease in those of means of transport, especially motor vehicles. According to the most recent data, in October and November, exports of goods, valued at current prices and corrected for seasonality, increased towards non-EU markets, in conjunction with the recent depreciation of the exchange rate. However, assessments on overall foreign orders by manufacturing companies are showing signs of weakening, confirming the high uncertainty on the evolution of this component of demand.

According to INPS administrative data on employment relationships in the private sector, the balance between hiring and termination significantly decreased in the first ten months of 2018 compared to the same period of the previous year, due to the slowdown in the forward component, particularly intense starting from June. On the other hand the balance of open-ended contracts improved, driven by the growth in transformations taking place from the beginning of 2018 and partly attributable to the structural incentives in force since the beginning of the same year for new permanent contracts relating to workers younger than 35 years old.

Inflation declined in the last months of 2018, reflecting the drop in energy prices that had been going on since October; underlying inflation remained weak. Companies revised their inflation expectations for 2019 downwards.

Overall credit supply conditions remain easy, even though surveys of companies show some signs of tightening. The cost of credit remains limited: the transmission of higher wholesale funding costs to the rates on loans has so far been slowed by the good capitalization of the banks and the high stability of their sources of financing, but could be strengthened if the highest level of sovereign yields showed itself to be persistent.

The trend in loans to households remained solid in the mortgage and consumer credit sectors. Loans to non-financial companies increased by 1.1% over twelve months. The growth concerned credit to manufacturing companies (2.1%) and to service companies (2.3%); the decline in loans to construction companies continued (-2.4%). The incidence of non-performing loans on total loans disbursed by significant banking groups continued to fall, both gross and net of adjustments, reaching 9.4% and 4.5% in the third quarter of 2018 (from 9.7% and 4.7% in the previous period). The implementation of plans for the transfer of non-performing positions contributed to the decrease; the coverage ratio of non-performing exposures remained stable compared to the previous quarter (at 54.5%).

ECONOMIC TREND IN THE REPUBLIC OF SAN MARINO

San Marino's economy continued to expand in 2018, albeit more slowly than in the previous year. The first national accounting estimates on gross domestic product indicate an increase of 1.4% compared to 1.6% recorded in 2017 and 2.2% recorded in 2016. Expectations for 2019 are a further GDP decrease to 1%.

The values found are higher than the forecasts of the International Monetary Fund. It should be noted that San Marino has gradually established a close working relationship with this prestigious international institution. The IMF attributes GDP growth of 1.1% for 2018, forecasting a further decrease for the future, from 0.8% for 2019 to 0.5% in 2025.

At the end of their last visit to the country, IMF representatives established that San Marino's main challenge is to urgently restore its economy to a sustainable growth and prosperity path. This requires that a complete package of political actions be implemented with the aim of stabilizing the banking system and restoring the supply of credit while safeguarding public finances. Priority should be given to the recognition of losses and the recapitalization of banks in advance, rapidly reducing operating costs and non-performing loans (NPL) and reviewing the supervision and governance of the banking sector.

Sustainable and growth-friendly fiscal consolidation and ongoing structural reforms are also needed to ensure the sustainability of public debt, improve competitiveness and promote potential growth. The main ones among these are:
- the adoption of a VAT system with sufficiently high rates and limited exemptions to increase revenue collection and a calendar that is consistent with the tax administration capacity. Rationalizing expensive tax refunds and maintaining the wealth tax would also help to increase revenue;
- a comprehensive pension reform that effectively addresses the pressures on aging in San Marino and guarantees the sustainability of the pension system. A well-targeted social policy, in which the benefits are tested according to the means and linked to the search for work, and a greater efficiency of spending between the various governmental units are also necessary to contain the expenses. It is hoped that an income and wealth indicator will be introduced to support media tests and to strengthen the budget controls of governmental units and state-owned enterprises;
- the improvement of debt management capacity and the diversification of sovereign funding sources in order to help reduce tax risks. The creation of a Treasury unit, the strengthening of macro-financial planning and access to external financing would improve the government's ability to respond to shocks and contain the risks of debt financing.

San Marino's efforts towards the international community are continuing, with the aim of improving transparency. The regulatory update of the AML/CFT framework further contributed to improving the credibility of the system. The signing of a memorandum of understanding with the Bank of Italy, which has long been hoped for, remains a decisive goal in the context of the future institutional initiatives of the Republic.

Back to statistical data, it is evident that inflation, although remaining at low levels, accelerated by exceeding 1%.

The manufacturing sector remains the leading sector in terms of employment, absorbing almost 40% of employees, while other economic sectors are less relevant from this point of view.

According to the baseline scenario, the economy should grow slightly above 1% in 2019, driven by investments in the real estate and government sectors while consumption by San Marino families remains weak.

The last two years have recorded positive values for the tourism sector; the annual expenditure and the influx of tourists have increased compared to the past.

Economic activities (companies, sole proprietorships, freelancers) further decreased, reaching 4,992 active subjects as at 30/09/2018. The largest declines are in the sector of "business services" and those registered with professional associations. The dimensional structure of San Marino companies is "micro-enterprises" (with less than 10 employees), which represent around 95% of the total. There are only 12 companies with over 100 employees.

2018 saw an 11% employment increase compared to the previous year. The unemployment rate also showed a slight increase of 0.2%, reaching 8.7%. The first 9 months of 2018 saw a slightly lower unemployment rate, remaining in line with the seasonal trend of previous years, while employment increased sharply, mainly due to the hiring of frontier workers, as a result of Law no.115 of 29/09/2017.

As at 30/09/2018, there were 33,403 residents in the Republic, up on the past (33,196 as at 31/12/2016 and 33,328 as at 31/12/2017).

SAN MARINO FINANCIAL SYSTEM

As at 31/12/2018, the financial sector was made up of 16 authorized parties, down on the previous year (17 as at 31/12/2017). Therefore, the reduction in the number of subjects supervised by CBSM continues, albeit with smaller intensity than in the past. 2018, like the previous year, will be remembered as one of the worst years of the San Marino banking and financial system. The country's internal events that implied a continuous succession in the top management of CBSM were added to the macroeconomic difficulties.

Another issue was the difficult "public management" of the main San Marino bank which, at the end of the year, authorized the sale of the so-called "Delta credits". This episode also caused a great deal of fuss, as it is an *asset* of fundamental importance for the bank and consequently for the country.

It should be noted that on 21 January another San Marino banking institution was placed in extraordinary administration pursuant to article 78 of Law no. 165/2005. The provision was then followed, shortly afterwards, by the blocking of payments pursuant to article 82 of Law no. 165/2005.

For the moment we cannot hypothesize what the future of this institute will be like. Certainly, another negative episode occurred, which caused a further loss of credibility of the system, with consequent capital outflow in favor of other financial systems.

These events contributed to fueling a climate of growing distrust in the banking system and the country. The effect of this lack of confidence led to a substantial outflow of resources, which affected a situation already weakened by the previous operations for the return of capital (tax shields and *Voluntary Disclosure*) launched by other Governments.

Perhaps the only positive note is the closure of the *Asset Quality Review* process (AQR). Our country has for a long time undertaken a process of internationalization also in the financial sphere, based in particular on the transposition of the EU regulations envisaged by the 2012 Monetary Convention. In this process, alignment with European *best practices* on quality of bank assets and prudential control is a particularly important element. The AQR process, which was intended as a statistical exercise with prudential purposes started in the autumn of 2016 and aimed at identifying and addressing the capital shortfalls of banks, was ended last fall. The results have not been made public but it is realistic to believe that all the institutions, albeit in different ways, have been asked for greater write-downs on impaired loans; in some cases this may have caused capital *shortfall.*

In order to guarantee the stability of the financial system and favor banks in the preparation of the necessary recapitalization programs, article 40 of Law no.173/2018 provided for the possibility of entering higher provisions for impaired loans arising from the AQR process in the income statement for a maximum period of five years. The use of this provision of law will make the capital adjustment less traumatic.

The continuing climate of mistrust heavily affects the aggregate system data, which continue to show a progressive decrease in the volumes of direct and indirect deposits.

A comparison of the figures at the end of 2018 with those at the end of 2017 shows that direct deposits decreased compared to 3,975 million Euros of 31/12/2017; similarly, indirect deposits also decreased, so total deposits decreased from 5,781 million Euros as at 31/12/2017to 5,488 million Euros as at 31/12/2018 (-5%).

Loans also decreased from 3,144 million Euros as at 31/12/2017 to 2,829 million Euros as at 31/12/2018 (-10%). The main problem, as in other European countries, remains that of *non-performing loans.*

The total net equity of San Marino banks (including the provision for general banking risks) further decreased from around 347 million Euros as at 31/12/2017 to 328 million Euros as at 31/12/2018.

The following table summarizes the aggregated system data of the last five years, which help to understand the situation and the dynamics recorded by the San Marino financial system.

	31/12/2014	31/12/2015	31/12/2016	31/12/2017	31/12/2018
Direct deposits	5.147	4.802	4.535	3.975	3.861
Indirect deposits	2.202	1.951	1.833	1.806	1.627

Total deposits	7.349	6.753	6.368	5.781	5.488
Gross loans	3.976	3.726	3.310	3.144	2.829
Net worth	466	442	399	347	328

Source CBSM – data in million Euros.
The net worth figure includes the general banking risk provision.

REFERENCE REGULATIONS INTRODUCED IN 2018

The most significant regulatory measures issued during 2018 and having greater impact for the banking and financial sector are listed below:

Primary legislation

Delegated Decree no. 15 of 1 February 2018 *(Ratification of Delegated Decree no. 128 of 31 October 2017)*
Provisions to facilitate the return of certain assets held abroad

Decree Law no. 75 of 27 June 2018 (art.3)
Security charges and social costs

Law no. 93 of 30 July 2018 (art.1-2)
Liability actions and debtor register

Law no. 104 of 8 August 2018 (art.11-13)
Variation to the provisional budget of the State for the 2018 financial year and amendments to Law no. 147 of 21 December

Law no. 137 of 31 October 2018 (art. 18)
2nd variation to the provisional budget of the State, variation to the provisional budget of other public sector bodies for the 2018 financial year, amendments to Law 21 December 2017 and subsequent amendments

CBSM regulations

Regulation no. 2018-02
Regulation amending Regulations no. 2006-03, no. 2007-07, no. 2011-03, no. 2014-04, no. 2016-02

Financial Intelligence Agency (FIA) regulations

Instruction no. 2018/01
Procedures for fulfilling the obligations to identify and verify the identity of customers and beneficial owners

Instruction no. 2018/02
Provisions regarding approach based on the risk of money laundering and terrorist financing

Instruction no. 2018/03
Fulfillment of customer due diligence obligations through third parties

Instruction no. 2018/4
Registration and conservation obligations

Circular no. 2018/01 *Risk factors for financial subjects* was also published.

BANCA SAMMARINESE DI INVESTIMENTO

Since 2012, our Bank has been characterized as a *retail* bank, serving households and businesses in the territory, with the aim of protecting and enhancing the deposits of savers and assisting, through targeted financing, both the private sector and the productive one.

Last year the Bank set new goals by approving the adoption of a three-year development plan for 2018/2020, with the aim of continuing to strengthen the presence of Banca Sammarinese di Investimento on the domestic market and, at the same time, getting ready to enter, hopefully in the near future, any new markets.

The final balance of the first year (2018) is to be considered positive. Specifically, the objectives relating to funding (in terms of both volumes and quality) and new customers were largely exceeded; the planned products/services were created and the “bank-insurance” project was launched.
The objectives set for the credit sector remained slightly below the budget; however, the choice was not to “push” excessively taking into account the current market situation, which was still negative.
Profitability also did not fully meet expectations due to the anomalous fluctuation of the securities recorded at the end of the year.

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

Last year, as part of the launch of the “bank-insurance” project, a collaboration agreement was signed with the company ASSITECA (a well-established Italian insurance brokerage company) with the aim of offering customers personalized and competitive insurance products. To this end, an expert resource was added to the staff.

It should be remembered that our Bank was the first institute on the San Marino market with its own credit cards. The decision made in the past to manage the credit card service in complete autonomy proved to be a winning one. The bank is able to manage the *issuing* activity (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). Since last year the offer has been extended with the placement of *revolving* cards.

Here is a brief review of the main events of 2018 that concerned the Bank.

The staff of the company was integrated with new professional figures. In detail, we went from 45 units on 31/12/2017 to 50 units on 31/12/2018 (+ 11%). The staff is distributed as follows: 23 employees at the sales network and 27 employees at the management offices. The average age of the personnel is 39 years old, while the incidence of female staff is 38% (data unchanged from the past). We consider it appropriate to point out that 40% of employees are graduates or have a university degree.

The Board of Directors continues to pay particular attention to risk management and the internal control system. During the fourth quarter of 2017, *risk assessment was initiated by* BDM Audit Srl from Florence. The definition of the *risk appetite framework* known as RAF was completed and was presented at the Board of Directors’ meeting in May 2018, resulting in a complete review of the risk management and monitoring system, in line with the *best practices* on the subject, in a “RAF” perspective.
The objective set was to proceed with an internal reorganization, identifying a figure of the company staff that was able to fill the role of Risk Manager, previously entrusted to an outsourced company.

Furthermore, following these operations, the Risk Committee was set up as a collegiate body with inter-departmental liaison functions, aimed at supporting the General Management and the heads of the relevant organizational units in the interpretation of the phenomena connected to the current and potential risks that characterize the Bank’s performance, in a perspective of conscious risk-taking and with a view to determining the most appropriate management lines.

As in previous years, it was decided to keep the *Internal Audit* function outsourced and entrusted to the Bologna-based company Baker Tilly Revisa, a leading Italian audit firm.

As in the past, the bank paid great attention to training personnel, who participated in numerous events and courses organized during the year in collaboration with ABI FORMAZIONE, AIRA, as well as by the San Marino professional orders and consulting companies.
Furthermore, in-house refresher and training courses were held by internal staff, including: “Loans – operating part” “Anti-money laundering” “Verification of documentation and opening of reports – cash handling and safety regulations” “Fourth Directive – Risk-based approach – Case study”. In the reporting period, training events were also organized with branch personnel regarding financial management. The two-day events were presented by the Finance Area managers.
Finally, in November, a two-day *in-house* course was held by an AIRA consultant on anti-money laundering.

As every year, the Trustee Manager took part in the technical refresher course for the maintenance of the qualification, organized by the University of San Marino.

The main equity and economic data are shown below.

Total funding at the end of 2018 amounted to € 709,635,117, of which € 434,928,532 direct deposits and € 274,706,585 indirect administered deposits. The figure shows a growth of over 78 million Euros compared to the previous year (+12.40%).

As regards the Bank's treasury, the following cash figures are highlighted as at 31/12/2018:
a) € 76,866,022 deriving from interbank deposits (on demand and at term) and foreign currency deposits;
b) € 254,437,770 deriving from securities distributed over different issuers; in particular, the trading portfolio amounts to € 106,964,266, while investment securities total € 147,473,504.
Therefore, total treasury equals € 331,303,792, which is a considerable amount considering the size of the bank. Investment strategies were inspired, as in the past, by criteria of prudence and risk diversification.

On the lending side, the year 2018 recorded an increase in receivables from ordinary customers, which amounted to € 133,470,717 at the end of the year (+ 11.56% compared to 2017) net of the allowance for doubtful accounts and inclusive of financial leasing transactions. The bank pursues a credit management policy aimed at credit distribution, both in terms of number of positions assigned and the technical forms used.

As regards *non-performing* loans, as at 31/12/2018 there were gross non-performing loans amounting to € 9,323,895 with value adjustments of € 4,897,731, gross substandard loans of € 4,220,981 with value adjustments of € 675,444, restructured loans of € 2,956,461 with value adjustments of € 124,998, as well as past due loans of € 181,416 and unsecured loans to at-risk countries of € 27,269.
As a result, the amount of *non-performing* loans managed amounts to € 16,710,022.

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

The balance sheet indices show a ratio between net loans and direct deposits of 30.69%, a ratio between net non-performing loans and net loans of 3.32% and finally a R.O.E. equal to 2.59%. The bank's shareholders' equity as at 31/12/2018 amounts to € 32,132,352.

The Supervisory Capital, as determined based on the provisions of the Supervisory Authority, stands at € 27,914,503, against € 30,152,670 as of 31/12/2017. The Bank has assets suitable for covering potential risks, showing a *total capital ratio* of 15.40%, which is well above the required regulatory minimums of 11%.

Moreover, the Bank holds only one stake relating to the 1% investment of the Central Bank of the Republic of San Marino Spa. The equity value of this investment, for a total of € 811,848, represents only 0.16% of the bank's assets.

The bank does not hold any own shares in its portfolio.

Among the items of the income statement that recorded the greatest increases we point out interest margin which rose from € 7.504.821 in 2017 to € 9.983.133 (+ 33.02%), and commission income which increased by 21.11 % from € 2,380,113 in 2017 to € 2,882,484. At the same time, there was a significant decrease in the intermediation margin (-49.16%) which fell from € 11,686,107 in 2017 to € 5,941,523. The cause is exclusively attributable to the tensions recorded at the end of the year in the financial markets. The prices of bonds held by our institution underwent a significant decrease in value. This led to losses on financial transactions of € 5,994,352. Already starting from January 2019, the situation on the markets was reversed as expected, and to date the bank registers a substantial recovery in value from financial transactions.

The profit achieved is equal to € 811.578, after using the general financial risk fund of € 2,000,000 in order to mitigate the anomalous fluctuations in the securities of the past year, which gave rise to losses from the resulting financial transactions from year-end assessments. As at 31/12/2018, the general financial risk fund amounted to € 3,000,000. It should be noted that this fund functions as coverage for generic business risks to which the bank is exposed; since it is comparable to a capital reserve, it represents a positive component of the basic supervisory capital.

It should also be taken into due consideration that the above-mentioned profit was achieved net of adjustments made to loans and financial assets for a total of € 1,649,420.

SUBSEQUENT EVENTS

To date, no events have occurred after December 31, 2018 such as to make the current equity, financial and economic situation substantially different from what results from these financial statements or to require adjustments or additional notes to the financial statements.

BUSINESS OUTLOOK

The Bank's activity will continue, as in previous years, marked by the development of volumes and prudent management. The growth trend is confirmed by the start of relationships with new customers, which characterized all of 2018. The economic results of the first quarter are of absolute satisfaction, proving the validity of the assessments made in the preparation of the provisional budgets.

CERTIFICATION OF REQUIREMENTS

Rovereta, 05/04/2019

The undersigned Dini Giuseppe, in his capacity as Chairman of the Board of Directors of Banca Sammarinese di Investimento S.p.A., declares, pursuant to art. 6. paragraph 10 of Law no. 47, the subjective and objective conditions provided for by law for holding the office remain.

In witness,
signed by the Chairman of the Board of Directors

Rovereta, 05/04/2019

By way of implementing the provisions of article 83, paragraph 3, of Law no. 47, as amended by article 3 (filed at the registered office) of Delegated Decree no. 19 of 28 January 2019, the undersigned legal representative certifies that these financial statements, including notes, will be filed starting from **5 April 2019** at the offices of Banca Sammarinese di Investimento S.p.A. and the shareholders will have the right to view it and to have a copy of it from the directors. Therefore, this date is the starting date of the 20 free days' period referred to in the aforementioned article 83 of Law 47/2006 (as amended), subject to the approval of the budget by the shareholders' meeting.

signed by the Chairman of the Board of Directors

RECLASSIFIED STATEMENT OF ASSETS AND LIABILITIES

		31/12/2018	Impact	31/12/2017	Impact
	Inter-bank loans	81.021.378	16,09%	96.289.813	20,62%
	Customer loans	103.023.623	20,46%	96.104.121	20,58%
	Debt and capital securities	254.437.770	50,52%	221.778.962	47,48%
	Leased assets	30.447.094	6,05%	23.534.032	5,04%
AF	INTEREST-BEARING ASSETS	468.929.865	93,11%	437.706.928	93,71%
	Cash and cash equivalents	1.457.753	0,29%	1.707.930	0,37%
	Holdings	811.848	0,16%	822.848	0,18%
	Other assets	25.121.022	4,99%	20.965.017	4,49%
	Accrued revenues and deferred expenses	1.791.358	0,36%	221.761	0,05%
ANF	NON-INTEREST-BEARING ASSETS	29.181.981	5,79%	23.717.556	5,08%
	Intangible fixed assets	1.002.533	0,20%	996.902	0,21%
	Tangible fixed assets	4.490.843	0,89%	4.662.090	1,00%
AR	REAL ASSETS	5.493.376	1,09%	5.658.992	1,21%
	TOTAL ASSETS	503.605.222		467.083.476	

		31/12/2018	Impact	31/12/2017	Impact
	Debts with banks	4.155.356	0,83%	1.540.814	0,33%
	Debts with customers	273.735.887	54,36%	222.182.164	47,57%
	Debts represented by securities	160.573.428	31,88%	185.317.071	39,68%
PO	BEARING LIABILITIES	438.464.671	87,07%	409.040.049	87,57%
	Other liabilities	32.366.766	6,43%	22.865.450	4,90%
	Accrued expenses and deferred revenues	87.797	0,02%	151.394	0,03%
	Staff retirement allowances	323.452	0,06%	304.567	0,07%
	Risks and costs fund	230.184	0,05%	401.242	0,09%
PNO	NON-BEARING LIABILITIES	33.008.199	6,55%	23.722.653	5,08%
	Fund for general banking risks	3.000.000	0,60%	5.000.000	1,07%
	Corporate capital	21.500.000	4,27%	20.000.000	4,28%
	Reserves	6.820.774	1,35%	4.749.153	1,02%
	Profits (Losses) for the financial year	811.578	0,16%	4.571.621	0,98%
PAT	ASSETS	32.132.352	6,38%	34.320.774	7,35%
	TOTAL LIABILITIES	503.605.222		467.083.476	

RECLASSIFIED PROFIT AND LOSS ACCOUNT

		31/12/2018	Variation	31/12/2017
	Interests received and proceeds	13.197.476	5,16%	12.550.124
	Interests paid and costs	(3.214.343)	(36,29%)	(5.045.303)
MI	INTEREST MARGIN	9.983.133	33,02%	7.504.821
	Commissions earned	2.882.484	21,11%	2.380.113
	Commissions paid	(929.742)	24,62%	(746.039)
CN	NET COMMISSIONS	1.952.742	19,50%	1.634.074
	Dividends and other proceeds	-	-	-
	Profits (Losses) from financial operations	(5.994.352)	(335,33%)	2.547.212
MINT	INTERMEDIATION MARGIN	5.941.523	(49,16%)	11.686.107
	Administrative costs	(5.729.058)	6,33%	(5.387.842)
	Value adjustments on intangible fixed assets	(250.285)	12,57%	(222.340)
	Value adjustments on tangible fixed assets	(6.363.699)	5,83%	(6.012.891)
	Other operating proceeds/costs	6.592.677	6,84%	6.170.891
CO	OPERATING COSTS	(5.750.365)	5,47%	(5.452.182)
RG	GROSS OPERATING PROFIT	191.158	(96,93%)	6.233.925
	Funding of risk provisions	-	-	-
	Value adjustments on credits	(1.054.257)	(54,30%)	(2.306.940)
	Value adjustments on financial activities	(595.163)	-	-
	Extraordinary proceeds/costs	111.664	(91,76%)	1.354.676
	Variation to the fund for general banking risks	2.000.000	(500,00%)	(500.000)
RL	PROFIT FOR THE FINANCIAL YEAR	653.402	(86,34%)	4.781.661
	Financial taxes	158.176	(175,31%)	(210.040)
RN	PROFIT FOR THE FINANCIAL YEAR	811.578	(82,25%)	4.571.621

HIGHLIGHTS AND INDICATORS

Key balance sheet figures (in EUR)

	31/12/2018	31/12/2017	31/12/2016	31/12/2015
Total assets	503.605.222	467.083.476	494.214.634	380.187.744
Net lending	133.470.717	119.638.153	115.403.576	106.583.670
Net non-performing loans	11.002.642	11.886.974	7.836.736	9.699.386
Provision for adjustments on doubtful loans	6.233.222	7.062.647	5.663.913	4.242.817
Direct collection	434.928.532	408.170.049	435.624.240	331.694.070
Indirect collection:	274.706.585	223.181.083	134.649.815	123.664.391
- Operated	175.219.933	141.453.635	71.017.315	59.574.158
- Manages	99.486.652	81.727.448	63.632.500	64.090.233
Net equity	32.132.352	34.320.774	29.649.152	24.397.444

Main structural and operational highlights

	31/12/2018	31/12/2017	31/12/2016	31/12/2015
Number of employees	50	45	42	37
Counters	6	6	4	4

Main economic data (in EUR)

	31/12/2018	31/12/2017	31/12/2016	31/12/2015
Interest margin	9.983.133	7.504.821	5.707.258	4.514.449
Intermediation margin	5.941.523	11.686.107	11.401.080	6.526.094
Administrative costs	5.729.058	5.387.842	4.696.837	4.031.772
Personnel costs	3.933.542	3.664.362	3.184.586	2.771.900
Operating costs	5.750.365	5.452.182	4.734.309	4.022.866
Profit for the financial year	811.578	4.571.621	2.251.708	672.624

Structural ratios (%)

	31/12/2018	var.	31/12/2017	var.	31/12/2016	var.	31/12/2015
Direct collection / Total assets	86,36	(1,03)	87,39	(0,76)	88,14	0,90	87,24
Net lending / Total assets	26,50	0,89	25,61	2,26	23,35	(4,68)	28,03
Net lending / Direct collection	30,69	1,38	29,31	2,82	26,49	(5,64)	32,13
Managed collection / Indirect collection	63,78	0,40	63,38	17,28	46,10	9,23	36,87
Operated collection / Indirect collection	36,22	(0,40)	36,62	(17,28)	53,90	(9,23)	63,13
Net equity / Total assets	6,38	(0,97)	7,35	1,35	6,00	(0,42)	6,42
Net equity / Net lendings	24,07	(4,62)	28,69	3,00	25,69	2,80	22,89

Indicators of the quality of credit (%)

	31/12/2018	var.	31/12/2017	var.	31/12/2016	var.	31/12/2015
Net NPLs / Net lending	3,32	(0,41)	3,73	1,21	2,53	(0,78)	3,31
Net problem loans / Net lending	2,66	0,36	2,30	1,10	1,20	(0,65)	1,86
Net doubtful credits / Net lending	8,24	(1,70)	9,94	3,15	6,79	(2,31)	9,10
Net NPLs / Net equity	13,77	0,75	13,02	3,19	9,83	(4,61)	14,45

Profitability ratios (%)

	31/12/2018	var.	31/12/2017	var.	31/12/2016	var.	31/12/2015
Interest margin / Intermediation margin	168,02	103,80	64,22	14,16	50,06	(19,12)	69,18
Interest margin / Interest-bearing assets	2,13	0,42	1,71	0,48	1,23	(0,03)	1,27
Intermediation margin / Interest-bearing assets	1,27	(1,40)	2,67	0,21	2,46	0,63	1,83
Administrative costs / Intermediation margin	96,42	50,32	46,10	4,91	41,20	(20,58)	61,78
Cost / Income [cost/income]	96,78	50,12	46,66	5,13	41,53	(20,12)	61,64
Net profit / (Net equity – Net profit) [R.O.E.]	2,59	(12,78)	15,37	7,15	8,22	5,38	2,84
Net profit / Total assets [R.O.A.]	0,16	(0,82)	0,98	0,52	0,46	0,28	0,18

Efficiency ratios (in thousands of EUR)

	31/12/2018	var.	31/12/2017	var.	31/12/2016	var.	31/12/2015
Total deposits per employee	14.193	163	14.030	(2.281)	16.311	2.047	14.263
Net loans per employee	2.669	10	2.659	(89)	2.748	(133)	2.881
Intermediation margin per employee	119	(141)	260	(12)	271	95	176
Average personnel costs	79	(2)	81	6	76	1	75
Total operating costs per employee	115	(6)	121	8	113	4	109

STATEMENT OF CASH FLOW

		2018		2017
Cash and cash equivalents at the beginning of the financial year		1.707.930		2.039.903
Funds generated and collected:	9.437.416		14.159.566	
Profit for the financial year	811.578		4.571.621	
Value adjustments on:	8.263.404		8.542.171	
- Tangible and intangible fixed assets	6.613.984		6.235.231	
- Financial assets	595.163		-	
- Customer loans	1.054.257		2.306.940	
Provisions for:	362.434		1.045.774	
- Severance pay	323.452		304.567	
- Risks and charges	38.982		241.207	
- General financial risks	-		500.000	
Increase in funds collected:	63.669.581		11.248.345	
Debts with banks	2.614.542		-	
Debts with customers	51.553.723		11.248.345	
Other liabilities	9.501.316		-	
Decrease in funds used:	15.279.435		31.096.796	
Inter-bank loans	15.268.435		8.695.570	
Bonds, shares, quotas and other financial instruments	-		20.906.076	
Holdings	11.000		-	
Other assets	-		1.471.220	
Accrued revenues and deferred expenses	-		23.930	
Total funds generated and collected		88.386.432		56.504.707
Use of funds generated from management operations:	3.514.607		885.891	
Distributed profit	1.000.000		400.000	
Provisions for:	2.514.607		485.891	
- Severance pay	304.567		253.016	
- Risks and charges	210.040		232.875	
- General financial risks	2.000.000		-	
Increase in funds collected:	60.314.762		12.839.782	
Customer loans	7.973.759		6.458.180	
Bonds, shares, quotas and other financial instruments	33.253.971		-	
Tangible and intangible fixed assets	13.361.430		6.381.602	
Other assets	4.156.005		-	
Accrued revenues and deferred expenses	1.569.597		-	
Decrease in funds used:	24.807.240		43.111.007	
Debts with banks	-		2.655.875	
Debts represented by financial instruments	24.743.643		38.779.503	
Other liabilities	-		1.535.977	
Accrued expenses and deferred revenues	63.597		139.652	
Total funds used and invested		88.636.609		56.836.680
Cash and cash equivalents at the end of the financial year		1.457.753		1.707.930

Dear members, in consideration of the foregoing and of the results obtained, we invite you to approve these Financial Statements, proposing the capitalization of the remaining income of 811.578,09, subject to the provisions required.

signed The Chairman of the Board of Directors

FINANCIAL STATEMENTS

BALANCE SHEET - ASSETS

		31/12/2018	31/12/2017
10	Cash in hand and at central banks and postal authorities	1.457.753	1.707.930
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:	81.021.378	96.289.813
	(a) sight credits	61.315.316	77.509.862
	(b) other credits	19.706.062	18.779.951
40	Customer loans:	103.023.623	96.104.121
	(a) sight credits	15.896.478	18.156.377
	(b) other credits	87.127.145	77.947.744
50	Bonds and other debt securities:	250.429.258	220.219.009
	(a) issued by public bodies	51.276.811	54.800.449
	(b) issued by banks	135.362.927	125.726.429
	(c) of financial undertakings other than credit institutions	34.809.764	12.761.488
	(d) issued by other bodies	28.979.756	26.930.643
60	Shares, quotas and other capital securities	4.008.512	1.559.953
70	Holdings:	811.848	822.848
	(a) financial companies	811.848	811.848
	(b) non-financial companies	-	11.000
80	Holdings in group businesses:	-	-
	(a) financial companies	-	-
	(b) non-financial companies	-	-
90	Intangible fixed assets:	1.002.533	996.902
	(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	1.002.533	996.902
100	Tangible fixed assets:	34.937.937	28.196.122
	(a) leasing	29.391.201	22.529.460
	- of which assets to be leased	2.460.336	492.601
	(b) assets resulting from annulled lease contracts	1.055.893	1.004.572
	- of which for breach by tenant	1.055.893	1.004.572
	(c) assets available from credit recovery	-	-
	- of which assets available for credit termination through settlement agreement	-	-
	(d) lands and buildings	3.782.493	3.868.451

	(e) other tangible fixed assets	708.350	793.639
110	Subscribed share capital not paid-in	-	-
	- of which called capital	-	-
120	Own shares and quotas	-	-
130	Other assets	25.121.022	20.965.017
140	Accrued revenues and deferred expenses:	1.791.358	221.761
	(a) accrued revenues	42.476	89.972
	(b) deferred expenses	1.748.882	131.789
150	Total Assets	503.605.222	467.083.476

BALANCE SHEET - LIABILITIES

		31/12/2018	31/12/2017
10	Debts with banks:	4.155.356	1.540.814
	(a) sight debts	93.791	200.736
	(b) term or notice debts	4.061.565	1.340.078
20	Debts with customers:	273.735.887	222.182.164
	(a) sight debts	238.251.127	205.111.102
	(b) term or notice debts	35.484.760	17.071.062
30	Debts represented by securities:	160.573.428	185.317.071
	(a) bonds	54.456.832	54.894.183
	(b) certificates of deposit	106.116.596	130.422.888
	(c) other securities	-	-
40	Other liabilities	32.366.766	22.865.450
	- of which outstanding cheques and similar securities	619.217	670.814
50	Accrued expenses and deferred revenues:	87.797	151.394
	(a) accrued expenses	49.115	126.103
	(b) deferred revenues	38.682	25.291
60	Staff retirement allowances	323.452	304.567
70	Risks and costs funds:	230.184	401.242
	(a) retirement and similar costs funds	-	-
	(b) tax funds	-	210.040
	(c) other funds	230.184	191.202
80	Allowances for possible loan losses	-	-
90	Fund for general banking risks	3.000.000	5.000.000
100	Subordinated liabilities	-	-
110	Corporate capital	21.500.000	20.000.000
120	Issue premium	-	-
130	Reserves:	6.820.774	4.749.153
	(a) ordinary reserves	1.943.998	1.029.673
	(b) reserve for shares or own shares	-	-
	(c) statutory reserves	4.380.605	1.985.858
	(d) other reserves	496.171	1.733.622
140	Revaluation reserve	-	-
150	Profits (Losses) carried forward	-	-
160	Profit (Loss) for the financial year	811.578	4.571.621
170	Total Liabilities	503.605.222	467.083.476

BALANCE SHEET – GUARANTEES AND COMMITMENTS

		31/12/2018	31/12/2017
10	Guarantees issued	15.641.204	18.388.994
	- of which:		
	(a) acceptances	92.948	133.356
	(b) other guarantees	15.548.256	18.255.638
20	Commitments	28.717.697	62.411.579
	- of which:		
	(a) certain to be called on	19.204.361	20.613.688
	of which financial instruments	6.398.181	1.020.778
	(b) not certain to be called on	265.900	36.906.900
	of which financial instruments	-	36.571.000
	(c) other commitments	9.247.436	4.890.991
	Total	44.358.901	80.800.573

PROFIT AND LOSS ACCOUNT

		31/12/2018	31/12/2017
10	Interests received and proceeds:	13.197.476	12.550.124
	(a) on loans to banks	45.001	47.997
	(b) on customer loans	4.976.406	4.911.635
	(c) on debt securities	8.176.069	7.590.492
20	Interests paid and costs:	(3.214.343)	(5.045.303)
	(a) on amounts due from banks	(148.184)	(99.282)
	(b) on debts with customers	(880.936)	(978.536)
	(c) on debts represented by securities	(2.185.223)	(3.967.485)
	- of which on subordinated liabilities	-	-
30	Dividends and other proceeds:	-	-
	(a) on shares, quotas and other variable income	-	-
	(b) on holdings	-	-
	(c) on holdings in group businesses	-	-
40	Commissions earned	2.882.484	2.380.113
50	Commissions paid	(929.742)	(746.039)
60	Profits (Losses) from financial operations	(5.994.352)	2.547.212
70	Other operating proceeds	6.592.677	6.170.891
80	Other operating costs	-	-
90	Administrative costs:	(5.729.058)	(5.387.842)
	(a) labour costs	(3.933.542)	(3.664.362)
	- of which:		
	- wages and salaries	(2.531.370)	(2.430.665)
	- pension contributions	(894.645)	(782.904)
	- retirement allowances	(323.452)	(304.567)
	- severance indemnity-related costs	-	-
	- administrators and mayors	(132.734)	(125.411)
	- other personnel expenses	(51.341)	(20.815)
	(b) other administrative costs	(1.795.516)	(1.723.480)
100	Value adjustments on intangible fixed assets	(250.285)	(222.340)
110	Value adjustments on tangible fixed assets	(6.363.699)	(6.012.891)
120	Provisions for risks and costs	-	-
130	Provisions to allowances for possible loan losses	-	-
140	Value adjustments on credits and provisions for guarantees and commitments	(1.532.663)	(2.604.519)
150	Value recoveries on credits and provisions for guarantees and commitments	478.406	297.579
160	Value adjustments on financial assets	(595.163)	-
170	Value recoveries on financial assets	-	-
180	Profits (Losses) on ordinary activities	(1.458.262)	3.926.985
190	Extraordinary proceeds	244.684	1.689.912
200	Extraordinary costs	(133.020)	(335.236)
210	Extraordinary Profits (Losses)	111.664	1.354.676
220	Income tax for the financial year	158.176	(210.040)
230	Variation to the Fund for general banking risks	2.000.000	(500.000)
240	Profits (Losses) for the financial year	811.578	4.571.621

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

Section A – ACCOUNTING PRINCIPLES

The financial statements for the year ended 31 December 2018 have been prepared in compliance with the provisions of Regulation no. 2016/02 on the preparation of the financial statements of banks issued on August 31, 2016 (and updated on February 28, 2019) 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 favouring, 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 favouring, 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 analysing 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. 2016/02, 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, 2018 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. 2016/02. 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.
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.

Deferred taxation
In order to apply the accrual principle, borrowing the principles set forth by IAS 12 and OIC no. 25, deferred taxation was calculated by recording prepaid taxes after having verified the existence of the reasonable certainty of future taxable income.

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"

			Variations	
	31/12/2018	31/12/2017	Amount	%
Cash and cash equivalents with central banks and postal agencies:				
- Banknotes and coins	1.369.457	1.639.902	(270.445)	(16,49%)
- Cheques	1.739	500	1.239	247,80%
- Foreign currency cash	86.087	66.827	19.260	28,82%
- Other	470	700	(230)	(32,86%)
Total	1.457.753	1.707.929	(250.176)	(14,65%)

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"

			Variations	
	31/12/2018	31/12/2017	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"

	31/12/2018			31/12/2017			Variations	
	Euros	Foreign currency	Total	Euros	Foreign currency	Total	Amount	%
Sight credits:	59.058.287	2.257.029	61.315.316	72.356.837	5.153.025	77.509.862	(16.194.546)	(20,89%)
- Current accounts for performed services	59.058.287	2.257.029	61.315.316	72.356.837	5.153.025	77.509.862	(16.194.546)	(20,89%)
- Current accounts	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
Other credits:	18.731.663	974.399	19.706.062	17.860.569	919.382	18.779.951	926.111	4,93%
- Terms deposits	18.731.663	974.399	19.706.062	17.860.569	919.382	18.779.951	926.111	4,93%
- Current accounts	-	-	-	-	-	-	-	-
- Repos and reverse repos	-	-	-	-	-	-	-	-
- Other	-	-	-	-	-	-	-	-
Total	77.789.950	3.231.428	81.021.378	90.217.406	6.072.407	96.289.813	(15.268.435)	(15,86%)

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

	31/12/2018			31/12/2017		
	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	81.021.378	-	81.021.378	96.289.813	-	96.289.813
of which deriving from financial leasing transactions	-	-	-	-	-	-
Total	81.021.378	-	81.021.378	96.289.813	-	96.289.813

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

	Non-performing loans	Substandard loans	Restructured loans	Past due / overrun loans	Unsecured loans to countries at risk
Opening gross exposure	-	-	-	-	-
of which for past-due interests	-	-	-	-	-
Increases:	-	-	-	-	-
- Inflow from loans	-	-	-	-	-
- Past-due interests	-	-	-	-	-
- Other increases	-	-	-	-	-
Decreases:	-	-	-	-	-
- Outflow to loans	-	-	-	-	-
- Write-offs	-	-	-	-	-
- Collections	-	-	-	-	-
- Arising from sales	-	-	-	-	-
- Other decreases	-	-	-	-	-
Closing gross exposure at 31/12/2018	-	-	-	-	-
of which for past-due interests	-	-	-	-	-

Table not valued as data not present.

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

	Non-performing loans	Substandard loans	Restructured loans	Past due / overrun loans	Unsecured loans to countries at risk	Performing loans
Opening total adjustments	-	-	-	-	-	-
Increases:	-	-	-	-	-	-
- Value adjustments	-	-	-	-	-	-
of which for past-due interests	-	-	-	-	-	-
- Utilization of Funds for possible loan losses	-	-	-	-	-	-
- Transfers from other categories of loans	-	-	-	-	-	-
- Other increases	-	-	-	-	-	-
Decreases:	-	-	-	-	-	-
- Value recoveries from valuation	-	-	-	-	-	-
of which for past-due interests	-	-	-	-	-	-
- Value recoveries from collection	-	-	-	-	-	-
of which for past-due interests	-	-	-	-	-	-
- Write-offs	-	-	-	-	-	-
- Transfers from other categories of loans	-	-	-	-	-	-
- Other decreases	-	-	-	-	-	-
Closing total adjustments at 31/12/2018	-	-	-	-	-	-
of which for past-due interests	-	-	-	-	-	-

Table not valued as data not present.

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

	31/12/2018	31/12/2017
Sight	61.325.315	77.509.862
Up to 3 months	18.558.759	17.690.512
From 3 months to 6 months	64.186	60.057
From 6 months to 1 year	-	-
From 1 year to 18 months	-	-
From 18 months to 2 years	-	-
From 2 years to 5 years	-	-
More than 5 years	-	-
No term	1.073.118	1.029.382
Total	81.021.378	96.289.813

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”

			31/12/2018			31/12/2017		Variations
	Euros	Foreign currency	Total	Euros	Foreign currency	Total	Amount	%
Sight / Non-revolving loans:	15.896.368	110	15.896.478	18.156.129	248	18.156.377	(2.259.899)	(12,45%)
- Current accounts	10.025.066	110	10.025.176	11.958.048	248	11.958.296	(1.933.120)	(16,17%)
- Other	5.871.302	-	5.871.302	6.198.081	-	6.198.081	(326.779)	(5,27%)
Other loans:	86.663.461	463.684	87.127.145	77.802.202	145.542	77.947.744	9.179.401	11,78%
- Current accounts	1.762.591	-	1.762.591	4.755.177	-	4.755.177	(2.992.586)	(62,93%)
- Discounted portfolio and subject to collection	9.641.269	-	9.641.269	6.917.630	-	6.917.630	2.723.639	39,37%
- Repos and reverse repos	-	-	-	-	-	-	-	-
- Other loans	75.259.601	463.684	75.723.285	66.129.395	145.542	66.274.937	9.448.348	14,26%
Total	102.559.829	463.794	103.023.623	95.958.331	145.790	96.104.121	6.919.502	7,20%

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

			Variations	
	31/12/2018	31/12/2017	Amount	%
From mortgages	41.848.112	35.706.671	6.141.441	17,20%
From pledges on:	27.858.751	855.524	27.003.227	3156,34%
- Cash deposits	244.383	355.752	(111.369)	(31,31%)
- Securities	587.892	492.770	95.122	19,30%
- Other valuables	27.026.476	7.002	27.019.474	385882,23%
From guarantees by:	24.510.459	23.810.355	700.104	2,94%
- Public administrations	-	-	-	-
- Monetary financial institutions	10.167	-	10.167	-
- Investment funds other than money market funds	-	-	-	-
- Other financial companies	-	17.719	(17.719)	(100,00%)
- Insurance companies	-	-	-	-
- Pension funds	-	-	-	-
- Non-financial companies	1.222.844	1.331.122	(108.278)	(8,13%)
- Households and non-profit institutions serving households:	23.277.448	22.461.514	815.934	3,63%
- Consumer and producer families	23.277.448	22.461.514	815.934	3,63%
- Inputs from other categories of doubtful loans	-	-	-	-
- Other	-	-	-	-
Total	94.217.322	60.372.550	33.844.772	56,06%

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

			31/12/2018			31/12/2017
	Gross exposure	Overall total adjustments	Net exposure	Gross exposure	Overall total adjustments	Net exposure
Doubtful loans:	16.710.022	5.707.380	11.002.642	18.484.605	6.597.631	11.886.974
of which from financial leases	1.896.586	571.616	1.324.970	3.470.988	505.575	2.965.413
- Non-performing loans	9.323.895	4.897.731	4.426.164	9.431.351	4.963.576	4.467.775
of which from financial leases	1.875.128	569.470	1.305.658	1.255.442	215.091	1.040.351
- Substandard loans	4.220.981	675.444	3.545.537	3.279.177	522.248	2.756.929
of which from financial leases	21.458	2.146	19.312	2.215.546	290.484	1.925.062
- Restructured loans	2.956.461	124.998	2.831.463	5.543.345	1.101.345	4.442.000
of which credits to ex Gruppo Delta	456.500	-	456.500	3.123.136	980.335	2.142.801
of which from financial leases	-	-	-	-	-	-
- Past due / overrun loans	181.416	9.071	172.345	206.867	10.343	196.524
of which from financial leases	-	-	-	-	-	-
- Unsecured loans to countries at risk	27.269	136	27.133	23.865	119	23.746
Performing loans	122.993.917	525.842	122.468.075	108.216.195	465.016	107.751.179
of which from financial leases	29.601.327	135.856	29.465.471	21.334.229	104.508	21.229.721
Total	139.703.939	6.233.222	133.470.717	126.700.800	7.062.647	119.638.153

The table shows the situation of cash credits for each category of credit, as dictated by Art. I.I.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.
With regard to value adjustments on doubtful loans, it is acknowledged that by letter dated 20/12/2018 no. 18/12906, the Central Bank of the Republic of San Marino communicated to the Institute the results of the Asset Quality Review, a statistical exercise with prudential purposes aimed at reviewing the quality of the assets of the San Marino Credit Institutes as of 30/06/2017, conducted by the Supervisory Authority according to the methodology of the European Central Bank (ECB) and the prudential control envisaged by the second Basel pillar.
After examining the transmitted results carefully, the Bank’s Board of Directors resolved greater prudential allocations on the loan portfolio as of 31/12/2018 for a total amount of 1,857,000 Euros. This amount substantially includes the greater value adjustments indicated analytically by the Central Bank, in compliance not only with the San Marino regulations currently in force but also with the more stringent parameters set by European legislation (so-called Basel 3).
It should be noted that, with regard to the aforementioned greater adjustments, the write-down made to the receivables from the companies of the former Delta Group (Carifin SpA and Plusvalore SpA) amounted to 1,583,915 Euros.
As in previous years, these exposures were classified among restructured loans, giving specific evidence thereof by creating a specific sub-item. As a result of the sale of the “Arcade” portfolio by SGCD SpA in 2018, the book value of these receivables was preliminarily cancelled by using the related adjustment provision and subsequently aligned to the allotment value in favour of the Bank fixed to 456,500 Euros (of which 339,299 Euros already paid in January 2019).
Finally, by way of applying article 40 of Law no. 173/2018, the Bank booked a portion equal to one fifth of the major value adjustments deriving from the Asset Quality Review in the income statement for the year ended 31/12/2018, by recording a specific prepaid expense of 1,485,803 Euros.

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	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	-
Increases:	1.027.655	5.149.319	2.415.860	809.124	193.398
- Inflow from performing loans	114.222	3.797.142	-	330.845	-
- Inputs from other categories of doubtful loans	388.035	-	-	-	-
- Past-due interests	135.069	55.120	5.309	2.610	1
- Other increases	390.329	1.297.057	2.410.551	475.669	193.397
Decreases:	1.135.111	4.207.515	5.002.744	834.575	189.994
- Outflow to loans	-	1.221.657	-	-	-
- Outputs to other categories of doubtful loans	-	388.035	-	-	-
- Write-offs	796.289	8.174	2.564.250	-	-
- Collections	338.822	2.035.384	2.438.494	834.575	189.994
- Arising from sales	-	-	-	-	-
- Other decreases	-	554.265	-	-	-
Closing gross exposure at 31/12/2018	9.323.895	4.220.981	2.956.461	181.416	27.269
of which for past-due interests	349.357	21.180	7.921	470	-

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 2018, 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	4.963.576	522.248	1.101.345	10.343	119	465.016
Increases:	819.000	577.492	1.588.344	8.606	79	339.666
- Value adjustments	674.373	565.738	1.588.344	8.071	79	181.862
of which for past-due interests	-	-	-	-	-	-
- Utilization of funds for possible loans	-	-	-	-	-	-
- Transfers from other categories of loans	144.627	11.754	-	535	-	157.804
- Other increases		-	-	-	-	-
Decreases:	884.845	424.296	2.564.691	9.878	62	278.840
- Value recoveries	7.003	114.085	441	9.878	62	265.372
of which for past-due interests	-	-	-	-	-	-
- Value recoveries from collection	81.553	-	-	-	-	11
of which for past-due interests	-	-	-	-	-	-
- Write-offs	796.289	8.174	2.564.250	-	-	775
- Transfers to other categories of loans	-	302.037	-	-	-	12.682
- Other decreases	-	-	-	-	-	-
Closing total adjustments at 31/12/2018	4.897.731	675.444	124.998	9.071	136	525.842
of which for past-due interests	349.357	-	-	-	-	-

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

	31/12/2018	31/12/2017
Sight	16.093.549	16.551.456
Up to 3 months	18.627.827	14.416.064
From 3 months to 6 months	7.084.001	6.872.484
From 6 months to 1 year	6.924.510	6.911.145
From 1 year to 18 months	5.789.556	4.682.769
From 18 months to 2 years	5.917.987	4.960.771
From 2 years to 5 years	22.983.491	19.944.014
More than 5 years	45.471.851	40.639.358
No term	4.577.945	4.660.092
Total	133.470.717	119.638.153

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

	31/12/2018	31/12/2017
Public administrations	3.717.946	4.249.697
Financial undertakings other than credit institutions:	2.220.421	2.143.349
- Monetary financial institutions (other than credit institutions)	-	-
- Investment funds other than money market funds	-	-
- Other financial companies	2.210.339	2.143.349
- Insurance companies	10.082	-
- Pension funds	-	-
Non-financial companies:	76.511.471	68.843.542
of which persons deleted from the Register of Authorized Entities	-	-
- Industry	33.673.294	26.432.002
- Building	5.420.111	5.150.765
- Services	37.417.410	37.260.391
- Other non-financial companies	656	384
Households and non-profit institutions serving households	51.020.879	44.401.565
- Consumer families	50.816.947	44.239.681
- Non-profit institutions serving households	203.932	161.884
Other	-	-
Total	133.470.717	119.638.153

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

	Investment	Trading
Bonds and other debt securities:	147.473.504	102.955.754
- issued by public bodies	43.186.379	8.090.432
- issued by banks	78.985.022	56.377.905
- issued by financial institutions	20.894.935	13.914.829
- issued by other bodies	4.407.168	24.572.588
Shares, quotas and other capital securities:	-	988.742
- CIU	-	988.742
- Other financial instruments	-	3.019.770
Total	147.473.504	103.944.496

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"

			31/12/2018			31/12/2017
	Book value	Market value	Fair value	Book value	Market value	Fair value
Debt securities:	146.061.645	147.473.504	144.714.855	80.131.821	81.158.070	81.901.187
- Bonds:	146.061.645	147.473.504	144.714.855	80.131.821	81.158.070	81.901.187
Listed	107.320.268	108.767.991	107.816.775	56.402.576	57.401.305	58.614.017
Unlisted	38.741.377	38.705.513	36.898.080	23.729.245	23.756.765	23.287.170
- Other debt securities:	-	-	-	-	-	-
Listed	-	-	-	-	-	-
Unlisted	-	-	-	-	-	-
Capital securities:	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Unlisted	-	-	-	-	-	-
Total	146.061.645	147.473.504	144.714.855	80.131.821	81.158.070	81.901.187

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

	31/12/2018	31/12/2017
Opening balance	81.158.070	108.946.097
Increases:	72.851.877	5.446.925
- Purchases	22.169.326	3.782.050
of which debt securities	22.169.326	3.782.050
- Value recoveries	-	-
- Transfers from trading portfolio	48.751.302	-
- Other variations	1.931.249	1.664.875
Decreases:	6.536.443	33.234.952
- Sales	-	24.265.983
of which debt securities	-	24.265.983
- Redemptions	5.524.670	8.304.700
- Value adjustments	595.163	-
of which lasting devaluations	595.163	-
- Transfers to trading portfolio	-	-
- Other variations	416.610	664.269
Closing balance	147.473.504	81.158.070

In compliance with the provisions of article IV.V.1 of Regulation no. 2016-02, during the year the Bank provided for the transfer of financial instruments from the free portfolio to the investment one for a value of 48,751,302 Euros. The maintenance of the aforementioned securities in the free portfolio seems to have resulted in higher valuation losses at 31/12/2018 for a total amount of approximately 1.3 million.

The reasons underlying this management choice are attributable to the Management Body's intention to maintain the securities to be transferred over the long term as well as the need to contain the strong volatility currently seen on the financial markets with the ultimate aim of pursuing a correct asset-securing policy. It should also be noted that no advance sales of securities entered in the investment portfolio were made and that the value adjustments recorded for an amount of 595,163 Euros refer to the prudential write-down of a single security (equal to 75%), whose market value shows a possible lasting deterioration of the issuer's situation.

Table 5.4 | Composition of "trading securities"

	31/12/2018	31/12/2017
	Fair value	Fair value
Debt securities:	102.955.754	139.060.939
- Bonds:	102.955.754	139.060.939
Listed	91.328.244	123.100.546
Unlisted	11.627.510	15.960.393
- Other debt securities:	-	-
Listed	-	-
Unlisted	-	-
Capital securities:	4.008.512	1.559.953
- Listed	4.008.512	1.559.953
- Unlisted	-	-
Total	106.964.266	140.620.892

Table 5.5 | Annual variations to “trading securities”

	31/12/2018	31/12/2017
Opening balance	140.620.892	133.738.941
Increases:	253.655.706	340.064.012
- Purchases	251.590.218	335.183.934
of which debt securities	238.078.723	302.369.405
of which capital securities	13.511.495	32.814.529
- Write backs and revaluations	143.297	2.470.489
- Transfers from investment portfolio	-	-
- Other variations	1.922.191	2.409.589
Decreases:	287.312.332	333.182.061
- Sales and redemptions	230.346.479	330.836.167
of which debt securities	219.168.787	298.562.543
of which capital securities	11.177.692	32.273.624
- Value adjustments and devaluations	5.072.829	1.364.150
- Transfers to investment portfolio	48.751.302	-
- Other variations	3.141.722	981.744
Closing balance	106.964.266	140.620.892

The valuation of investment securities is based on market value as at 31/12/2018. The effect of such a method is described under items “Write backs 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

Denominations	Legal form	Headquarters	Activity performed	Share capital	Net equity	Profit / Loss	Share %	Book value (b)	Fair value	Net equity share (a)	Comparison (a-b)
Companies of the banking group											
No investment											
Other subsidiaries											
No investment											
Other investee companies											
Banca Centrale della Repubblica di San Marino	SPA	San Marino, Via del Voltone 120	Bank	12.911.425	75.638.636	(2.173.521)	1,00%	811.848	811.848	756.386	(55.462)

Table 6.2 | Composition of item 70 "Holdings"

	31/12/2018			31/12/2017		
	Purchase price	Book value	Fair value	Purchase price	Book value	Fair value
In banks:	811.848	811.848	811.848	811.848	811.848	811.848
- Listed	-	-	-	-	-	-
- Unlisted	811.848	811.848	811.848	811.848	811.848	811.848
In other financial companies:	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Unlisted	-	-	-	-	-	-
Other:	-	-	-	11.000	11.000	11.000
- Listed	-	-	-	-	-	-
- Unlisted	-	-	-	11.000	11.000	11.000
Total	811.848	811.848	811.848	822.848	822.848	822.848

The data of investee companies refer to the 2017 financial year.

Table 6.3 | Composition of item 80 "Holdings in group companies"

	31/12/2018			31/12/2017		
	Purchase price	Book value	Fair value	Purchase price	Book value	Fair value
In banks:	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Unlisted	-	-	-	-	-	-
In other financial companies:	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Unlisted	-	-	-	-	-	-
Other:	-	-	-	-	-	-
- Listed	-	-	-	-	-	-
- Unlisted	-	-	-	-	-	-
Total	-	-	-	-	-	-

Table not valued as data not present.

Table 6.4 | Annual changes of item 70 “Holdings”

	31/12/2018
Opening balance	822.848
Increases:	-
- Purchases	-
- Write backs	-
- Revaluations	-
- Other changes	-
Decreases:	11.000
- Sales	11.000
- Value adjustments	-
of which permanent write-downs	-
- Other changes	-
Closing balance	811.848
Total revaluations	-
Total adjustments	-

In 2018, the Techno Science Park San Marino-Italy investment was sold.

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

	31/12/2018
Opening balance	-
Increases:	-
- Purchases	-
- Write backs	-
- Revaluations	-
- Other changes	-
Decreases:	-
- Sales	-
- Value adjustments	-
of which permanent write-downs	-
- Other changes	-
Closing balance	-

Table not valued as data not present.

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

	31/12/2018
Assets:	55.415.823
- Loans to banks	55.415.823
of which subordinates	-
of which to related undertakings	-
of which subordinates	-
- Loans to other financial companies	-
of which subordinates	-
of which to related undertakings	-
of which subordinates	-
- Loans to other companies	-
of which subordinates	-
of which to related undertakings	-
of which subordinates	-
- Bonds and other debt financial instruments	-
of which subordinates	-
of which to related undertakings	-
of which subordinates	-
Liabilities:	-
- Debts to banks	-
of which to related undertakings	-
- Debts to other companies	-
of which to related undertakings	-
- Debts represented by financial instruments	-
of which to related undertakings	-
- Subordinated liabilities	-
of which to related undertakings	-
Guarantees and commitments:	-
- Guarantees given	-
- Commitments	-

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

	31/12/2018
Assets:	-
- Loans to banks	-
of which subordinates	-
- Loans to other companies	-
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	-
- Debts represented by financial instruments	
- Subordinated liabilities	-

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"

	31/12/2018	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	996.902	-	-	-	-	-	-	-	-	996.902
Increases:	255.916	-	-	-	-	-	-	-	-	255.916
- Purchases	255.916	-	-	-	-	-	-	-	-	255.916
- Value recoveries	-	-	-	-	-	-	-	-	-	-
of which for credit rating	-	-	-	-	-	-	-	-	-	-
- Revaluations	-	-	-	-	-	-	-	-	-	-
- Other variations	-	-	-	-	-	-	-	-	-	-
Decreases:	250.285	-	-	-	-	-	-	-	-	250.285
- Sales	-	-	-	-	-	-	-	-	-	-
- Value adjustments	250.285	-	-	-	-	-	-	-	-	250.285
of which depreciations	250.285	-	-	-	-	-	-	-	-	250.285
of which lasting devaluations	-	-	-	-	-	-	-	-	-	-
of which for credit rating	-	-	-	-	-	-	-	-	-	-
- Other variations	-	-	-	-	-	-	-	-	-	-
Closing balance	1.002.533	-	-	-	-	-	-	-	-	1.002.533

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”

	31/12/2018			31/12/2017		
	Purchase price / Production cost	Book value	Fair value	Purchase price / Production cost	Book 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	2.571.323	1.002.533	1.002.533	2.315.406	996.902	996.902
Total	2.571.323	1.002.533	1.002.533	2.315.406	996.902	996.902

8. Tangible fixed assets (item 100 of assets)

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

	31/12/2018	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	28.196.122	22.529.460	492.601	1.004.572	1.004.572	-	-	3.868.451	793.639
Increases:	15.903.285	15.475.436	2.602.580	298.091	298.091	-	-	-	129.758
- Purchases	12.519.530	12.389.837	-	-	-	-	-	-	129.693
- Value recoveries	148.479	148.479	-	-	-	-	-	-	-
of which for credit rating	-		-	-	-	-	-	-	-
- Revaluations	65		-	-	-	-	-	-	65
- Other variations	3.235.211	2.937.120	2.602.580	298.091	298.091	-	-	-	-
Decreases:	9.161.470	8.613.695	634.845	246.770	246.770	-	-	85.958	215.047
- Sales	1.618.065	1.603.065	-	-	-	-	-	-	15.000
- Value adjustments	6.620.314	6.087.539	9.845	246.770	246.770	-	-	85.958	200.047
of which depreciations	6.363.699	6.077.694	-	-	-	-	-	85.958	200.047
of which lasting devaluations	-		-	-	-	-	-	-	-
of which for credit rating	256.615	9.845	9.845	246.770	246.770	-	-	-	-
- Other variations	923.091	923.091	625.000	-	-	-	-	-	-
Closing balance	34.937.937	29.391.201	2.460.336	1.055.893	1.055.893	-	-	3.782.493	708.350

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”

	31/12/2018			31/12/2017		
	Purchase price / Production cost	Book value	Fair value	Purchase price / Production cost	Book value	Fair value
Financial lease	61.011.718	29.391.201	29.391.201	50.785.283	22.529.460	22.529.460
of which assets to be leased	5.284.036	2.460.336	2.460.336	2.690.077	492.601	492.601
Assets resulting from annulled lease contracts	1.508.419	1.055.893	1.055.893	1.210.328	1.004.572	1.004.572
of which for breach by tenant	1.508.419	1.055.893	1.055.893	1.210.328	1.004.572	1.004.572
Assets available from credit recovery	-	-	-	-	-	-
of which assets available for credit termination through settlement agreement	-	-	-	-	-	-
Lands and buildings	4.155.259	3.782.493	3.782.493	4.155.259	3.868.451	3.868.451
Other tangible fixed assets	2.197.493	708.350	708.350	2.067.735	793.639	793.639
Total	68.872.889	34.937.937	34.937.937	58.218.605	28.196.122	28.196.122

Table 8.3 | Assets available from credit recovery

	31/12/2018		31/12/2017	
	Book value	Fair value	Book value	Fair value
Assets available from credit recovery deriving from financial lease contracts:	-	-	-	-
- Real estate	-	-	-	-
of which for residential use	-	-	-	-
of which for non-residential use	-	-	-	-
- Movable assets	-	-	-	-
of which vehicles	-	-	-	-
of which aircraft	-	-	-	-
of which other	-	-	-	-
Assets available from credit recovery deriving from other lease contracts:	-	-	-	-
- Real estate	-	-	-	-
of which for residential use	-	-	-	-
of which for non-residential use	-	-	-	-
- Movable assets	-	-	-	-
of which vehicles	-	-	-	-
of which aircraft	-	-	-	-
of which other	-	-	-	-
Total	-	-	-	-

Table not valued as data not present.

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

	Total al 31/12/2018	of which leasing to credit institutions	of which leasing to customers
Leasing – Total	30.790.442	-	30.790.442
of which for rents overdue	343.348	-	343.348
of which residual capital credit	30.447.094	-	30.447.094
Intangible fixed assets			
- Financial lease	-	-	-
- Assets resulting from annulled lease contracts	-	-	-
Tangible fixed assets			
- Financial lease	29.391.201	-	29.391.201
- Assets resulting from annulled lease contracts	1.055.893	-	1.055.893

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

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

			Variations	
	31/12/2018	31/12/2017	Amount	%
Subscribed capital not paid in	-	-	-	-
of which called capital	-	-	-	-

Table not valued as data not present.

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

Table 10.1 | Composition of social shares

	Number of shares	% on capital	Nominal value	Negotiation amount
Values at 31/12/2017	-	-	-	-
Purchases	-	-	-	-
Sales	-	-	-	-
Values at 31/12/2018	-	-	-	-
				Profit/Loss
Negotiation profit/loss on own shares				-

Table not valued as data not present.

11. Other assets (item 130 of assets)

Table 11.1 | Composition of item 130 “Other assets”

	31/12/2018	31/12/2017
Maintenance margins	-	-
Premiums paid for options	-	-
Others	25.121.022	20.965.017
of which other Debtors:	24.113.708	19.924.140
- Effects received from correspondent banks	2.423.731	3.277.415
- Effects from SBF customers	14.047.286	10.655.297
- Effects after collection from customers	4.053.125	3.542.484
- Illiquid effects	1.749.554	1.662.762
- Transitional accounts and items to be settled	1.311.309	238.997
- IGR advances and withholding of the Tax Office	528.703	547.185
of which Deferred tax assets:	786.934	747.917
- Law no. 150/2012 Art. 40	628.758	747.917
- Law no. 166/2013	158.176	-
of which Other related accounting items:	55.603	85.880
- Foreign securities tax credit	55.603	85.880
of which Other:	164.777	207.080
- Spot transactions and other items	164.777	207.080
Total	25.121.022	20.965.017

Tax assets for prepaid taxes derive from the calculation of deferred taxes, by way of applying the accrual principle. These prepaid taxes relate to events or transactions that directly concerned the income statement. In particular, they relate to provisions for funds and expenses that do not meet the requirements of deductibility in the year in which they were recorded. Deferred tax assets are recorded in the financial statements to the extent according to their recovery probability, assessed on the basis of the bank’s ability to continuously generate positive taxable income within the limits of deductibility of the differences originating prepaid taxes. In this regard, the Bank’s sustainability plan is comforting about the presence of positive economic results for the recovery of prepaid taxes.

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

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

	31/12/2018	31/12/2017
Accrued revenues:	42.476	89.972
- Commissions and feeds on issuing/acquiring transactions	42.248	88.028
- Derivative contracts	-	414
- Fund/trading withdrawal	-	840
- Consumer credit practices	-	690
- Other items	228	-
Deferred expenses:	1.748.882	131.789
- Insurance premiums	35.981	32.916
- Network fees	26.709	22.811
- Rental expenses	34.633	39.073
- Annual amount of AQR result value adjustments	1.485.803	-
- Issuing/acquiring commissions and fees	63.792	-
- Central Risk Database contribution	61.777	-
- Other items	40.187	36.989
Total	1.791.358	221.761

With particular reference to this item, it should be noted that for the year 2018 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 STATEMENTS OF ASSETS AND LIABILITIES - LIABILITIES

13. Debts with banks (item 10 of liabilities)

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

			31/12/2018			31/12/2017
	Euros	Foreign currency	Total	Euros	Foreign currency	Total
Sight debts:	93.781	10	93.791	200.736	-	200.736
- Overdrawn current accounts	93.398	10	93.408	200.421	-	200.421
- Demand deposits	383	-	383	315	-	315
- Other	-	-	-	-	-	-
Term or notice debts:	-	4.061.565	4.061.565	-	1.340.078	1.340.078
- Overdrawn current accounts	-	-	-	-	-	-
- Time deposits	-	4.061.565	4.061.565	-	1.340.078	1.340.078
- Repos and reverse repos	-	-	-	-	-	-
- Other loans	-	-	-	-	-	-
Total	93.781	4.061.575	4.155.356	200.736	1.340.078	1.540.814

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

	31/12/2018	31/12/2017
Sight	1.054.825	200.736
Up to 3 months	29.589	23.192
From 3 months to 6 months	1.760.440	-
From 6 months to 1 year	1.310.502	1.316.886
From 1 year to 18 months	-	-
From 18 months to 2 years	-	-
From 2 years to 5 years	-	-
More than 5 years	-	-
No term	-	-
Total	4.155.356	1.540.814

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"

			31/12/2018			31/12/2017
	Euros	Foreign currency	Total	Euros	Foreign currency	Total
Sight:	234.762.956	3.488.171	238.251.127	198.792.453	6.318.649	205.111.102
- Overdrawn current accounts	233.594.827	3.488.171	237.082.998	197.622.307	6.318.649	203.940.956
- Sight savings deposits	428.892	-	428.892	488.278	-	488.278
- Other	739.237	-	739.237	681.868	-	681.868
Term or notice debts:	35.484.760	-	35.484.760	17.071.062	-	17.071.062
- Term overdrawn current accounts	-	-	-	-	-	-
- Time saving deposits	-	-	-	-	-	-
- Repos and reverse repos	24.000.806	-	24.000.806	17.070.174	-	17.070.174
- Other funds	11.483.954	-	11.483.954	888	-	888
Total	270.247.716	3.488.171	273.735.887	215.863.515	6.318.649	222.182.164

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

	31/12/2018	31/12/2017
Sight	238.251.572	205.111.193
Up to 3 months	24.207.231	10.836.848
From 3 months to 6 months	4.619.469	5.745.709
From 6 months to 1 year	6.657.615	488.414
From 1 year to 18 months	-	-
From 18 months to 2 years	-	-
From 2 years to 5 years	-	-
More than 5 years	-	-
No term	-	-
Total	273.735.887	222.182.164

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

	31/12/2018			31/12/2017		
	Euros	Foreign currency	Total	Euros	Foreign currency	Total
Bonds	54.456.832	-	54.456.832	54.894.183	-	54.894.183
of which held by credit institutions	-	-	-	-	-	-
Certificates of deposit	106.116.596	-	106.116.596	130.422.888	-	130.422.888
of which held by credit institutions	-	-	-	-	-	-
Other financial instruments	-	-	-	-	-	-
of which acceptances traded	-	-	-	-	-	-
of which outstanding bills	-	-	-	-	-	-
of which atypical securities	-	-	-	-	-	-
Total	160.573.428	-	160.573.428	185.317.071	-	185.317.071

16. Other liabilities (item: 40 of liabilities)

Table 16.1 | Composition of item 40 “Other liabilities”

	31/12/2018	31/12/2017
Maintenance margins	-	-
Premiums received for options	-	-
Cheques in circulation and similar securities	619.217	670.814
Other	31.747.549	22.194.636
of which other Creditors:	3.168.121	1.153.676
- Supplier invoices to be received	1.093.489	362.241
- Payables to I.S.S.	84.649	79.739
- Payables to F.S.S.	2.693	2.558
- Payables to trade union centres	752	655
- Employees salary account	209.967	196.213
- Payables to suppliers	1.665.704	222.760
- Sums in favour of third parties	110.867	289.510
of which Other:	28.579.428	21.040.960
- Transferor of SBF effects	18.233.993	14.304.267
- Transferors of after-collection effects	5.840.146	5.204.719
- Due to tax office	1.049.804	982.158
- Transitional accounts and items to be settled	3.310.368	281.207
- Term transactions	145.117	158.131
- Other	-	110.478
Totale	32.366.766	22.865.450

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

	31/12/2018	31/12/2017
For nominative instruments:	-	-
- of which rechargeable	-	-
- of which not rechargeable	-	-
For anonymous tools	-	-
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"

	31/12/2018	31/12/2017
Accrued expenses:	49.115	126.103
- Derivative contracts	8.163	973
- Employee supplementary remuneration	32.292	124.288
- Directors' I.S.S. separate management	7.800	-
- Other items	860	842
Deferred revenues:	38.682	25.291
- Interest on consumer credit practices	11.949	8.271
- Foreign documentary credit commissions	421	507
- Safe deposit box fees	12.795	5.707
- Unsecured credit fees	13.517	10.806
Total	87.797	151.394

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"

	31/12/2018	31/12/2017
Opening balance	304.567	253.016
Increases:	323.452	304.567
- Provisions	323.452	304.567
- Other variations	-	-
Decreases:	304.567	253.016
- Utilization	304.567	253.016
- Other variations	-	-
Closing balance	323.452	304.567

As required by law, the Staff Retirement Allowances is paid annually to all employees. Accordingly, the balance at the end of 2018 coincides with the relative share of the current year to be settled within the year 2019.

Table 18.2 | Composition of item 70 "Risks and costs funds"

	31/12/2018	31/12/2017
Retirement and similar costs fund	-	-
Taxes and fees funds	-	210.040
Other funds:	230.184	191.202
- Fund for paid and unused leave	180.184	141.202
- Provisions for payment card dispute risks	50.000	50.000
Total	230.184	401.242

The item "Other funds" comprises provisions for the employees' leaves accrued but not taken as of 31.12.2018, in the amount of € 180.184, plus € 50.000 allocated to cover any counterclaim in credit card disputes.

Table 18.3 | Changes of "Taxes and fees reserves"

	31/12/2018	31/12/2017
Opening balance	210.040	186.897
Increases:	-	210.040
- Provisions	-	210.040
- Other variations	-	-
Decreases:	210.040	186.897
- Utilization	210.040	186.897
- Other variations	-	-
Closing balance	-	210.040

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

	31/12/2018	31/12/2017
Opening balance	191.202	206.013
Increases:	38.982	31.167
- Provisions	38.982	31.167
- Other variations	-	-
Decreases:	-	45.978
- Utilization	-	45.978
- Other variations	-	-
Closing balance	230.184	191.202

The table shows the variations of the "Annual leave payments".

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

	31/12/2018	31/12/2017
Opening balance	-	-
Increases:	-	-
- Provisions	-	-
- Other variations	-	-
Decreases:	-	-
- Utilization	-	-
- Other variations	-	-
Closing balance	-	-

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"

	31/12/2018	31/12/2017
Opening balance	5.000.000	4.500.000
Contributions in the year	-	500.000
Uses in the year	2.000.000	-
Closing balance	3.000.000	5.000.000

In order to mitigate the anomalous fluctuation of securities in 2018, a partial use was made of the General Financial Risk Fund for 2,000,000 Euros.

Table 19.2 | Composition of item 100 "Subordinated liabilities"

			Variations	
	31/12/2018	31/12/2017	Amount	%
Subordinated liabilities	-	-	-	-
of which held by credit institutions	-	-	-	-
of which hybrid capitalization instruments	-	-	-	-

Table not valued as data not present.

Table 19.3 | Composition of item 110 "Corporate capital"

	31/12/2018			31/12/2017			Variations	
	Number of shares	Nominal value	Total value	Number of shares	Nominal value	Total value	Amount	%
Ordinary	21.500	1.000	21.500.000	20.000	1.000	20.000.000	1.500.000	7,50%
Total	21.500	1.000	21.500.000	20.000	1.000	20.000.000	1.500.000	7,50%

By notarial deed of May 8, 2018, the share capital was raised from 20,000,000 to 21,500,000 Euros through the use of reserves.

Table 19.4 | Composition of item 120 "Issue premiums"

			Variations	
	31/12/2018	31/12/2017	Amount	%
Issue premiums	-	-	-	-

Table not valued as data not present.

Table 19.5 | Composition of item 130 "Reserves"

			Variations	
	31/12/2018	31/12/2017	Amount	%
Ordinary or legal reserve	1.943.998	1.029.673	914.325	88,80%
Reserve for shares or own shares	-	-	-	-
Statutory reserves	4.380.605	1.985.858	2.394.747	120,59%
Other reserves	496.171	1.733.622	(1.237.451)	(71,38%)
Total	6.820.774	4.749.153	2.071.621	43,62%

The allocation of the 2017 profit of € 4.571.621,25 is in accordance with the shareholders' resolution dated May 4, 2018.

Table 19.6 | Composition of item 140 "Revaluation reserve"

			Variations	
	31/12/2018	31/12/2017	Amount	%
Revaluation reserve	-	-	-	-

Table not valued as data not present.

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

			Variations	
	31/12/2018	31/12/2017	Amount	%
Profits (Losses) carried forward	-	-	-	-

Table not valued as data not present.

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

			Variations	
	31/12/2018	31/12/2017	Amount	%
Profit (Loss) for the financial year	811.578	4.571.621	(3.760.043)	(82,25%)

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

	31/12/2018	31/12/2017	31/12/2016	31/12/2015
Corporate capital	21.500.000	20.000.000	20.000.000	20.000.000
Uncalled capital	-	-	-	-
Issue premiums	-	-	-	-
Ordinary or legal reserve	1.943.998	1.029.673	579.332	444.807
Other reserves	4.876.776	3.719.480	2.318.112	1.780.013
Operating result	811.578	4.571.621	2.251.708	672.624
Profits (Losses) carried forward	-	-	-	-
Fund for general financial risks	3.000.000	5.000.000	4.500.000	1.500.000
Revaluation reserve	-	-	-	-
Total	32.132.352	34.320.774	29.649.152	24.397.444

Table 19.10 | Composition of Savings Collection by business sector

	31/12/2018	31/12/2017
Public administrations	47.114.938	31.346.498
Financial companies other than credit institutions:	2.844.735	2.423.924
- Monetary financial institutions other than credit institutions	-	-
- Investment funds other than money market funds	-	-
- Other financial companies	2.603.602	2.300.959
- Insurance companies	241.133	122.965
- Pension funds	-	-
Non-financial companies:	73.470.295	110.388.118
of which persons deleted from the Register of Authorized Entities	913.937	561.397
- Industry	38.991.409	63.235.105
- Building	643.898	1.789.359
- Services	33.062.742	44.683.887
- Other non-financial companies	772.246	679.767
Households and non-profit institutions serving households:	311.498.564	264.011.509
- Consumer families	307.561.247	263.067.590
- Non-profit institutions serving households	3.937.317	943.919
Other	-	-
Total	434.928.532	408.170.049

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

20. Guarantees and commitments

Table 20.1 | Composition of "guarantees issued"

			Variations	
	31/12/2018	31/12/2017	Amount	%
Endorsement credits of a trade nature	2.255.948	1.443.851	812.097	56,25%
Endorsement credits of a financial nature	589.292	607.846	(18.554)	(3,05%)
Assets set up as collateral:	12.795.964	16.337.297	(3.541.333)	(21,68%)
- of third party bonds	-	-	-	-
- of own bonds	12.795.964	16.337.297	(3.541.333)	(21,68%)
Total	15.641.204	18.388.994	(2.747.790)	(14,94%)

Table 20.2 | Composition of the abovementioned unsecured loans

			Variations	
	31/12/2018	31/12/2017	Amount	%
Credit commitments of a trade nature:	2.255.948	1.443.851	812.097	56,25%
- Acceptances	92.948	133.356	(40.408)	(30,30%)
- Guarantees and endorsements	1.478.136	1.074.163	403.973	37,61%
- Strong comfort letter	-	-	-	-
- Other	684.864	236.332	448.532	189,79%
Credit commitments of a financial nature:	589.292	607.846	(18.554)	(3,05%)
- Acceptances	-	-	-	-
- Guarantees and endorsements	589.292	607.846	(18.554)	(3,05%)
- Strong comfort letter	-	-	-	-
- Other	-	-	-	-
Total	2.845.240	2.051.697	793.543	38,68%

Table 20.3 | Situation of unsecured loans to credit institutions

			31/12/2018			31/12/2017
	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

			31/12/2018			31/12/2017
	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	2.845.240	-	2.845.240	2.026.697	-	2.026.697
Total	2.845.240	-	2.845.240	2.051.697	-	2.051.697

Table 20.5 | Loan guarantees to assume the debts

Liabilities	Amounts of guarantee assets
Payables to credit institutions	12.795.964

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

	31/12/2018	31/12/2017
Central banks	-	-
Other banks	-	-
Other financial companies	-	-
Total	-	-

Table not valued as data not present.

Table 20.7 | Composition of “spot commitments”

			Variations	
	31/12/2018	31/12/2017	Amount	%
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	6.398.181	1.020.778	5.377.403	526,79%
Commitments to grant finance not certain to be called on	265.900	335.900	(70.000)	(20,84%)
of which passive margins usable on credit lines	265.900	335.900	(70.000)	(20,84%)
of which put option issued	-	-	-	-
Commitments to exchange financial instruments not certain to be called on	-	36.571.000	(36.571.000)	(100,00%)
Other commitments	-	-	-	-
Total	6.664.081	37.927.678	(31.263.597)	(82,43%)

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	Negotiations	Other transactions
Trades:	7.152.000	5.654.180	-
- Financial instruments:	-	-	-
purchases	-	-	-
sales	-	-	-
- Currencies:	7.152.000	5.654.180	-
currency against currency	-	-	-
purchases against EUR	4.540.000	1.861.225	-
sales against EUR	2.612.000	3.792.955	-
Deposits and loans:	-	-	-
to be given	-	-	-
to be received	-	-	-
Derivative contracts:	9.247.436	-	-
- 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:	9.247.436	-	-
- Currencies:	-	-	-
- currency against currency	-	-	-
- purchases against EUR	-	-	-
- sales against EUR	-	-	-
- Other values:	9.247.436	-	-
- purchases	9.247.436	-	-
- 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

Operation Category	Coverages	Negotiations	Other transactions
Derivative contracts:	(117.915)	-	-
- 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:	(117.915)	-	-
- Currencies:	-	-	-
- currency against currency	-	-	-
- purchases against EUR	-	-	-
- sales against EUR	-	-	-
- Other values:	(117.915)	-	-
- purchases	(117.915)	-	-
- sales	-	-	-

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

Table 20.10 | Credit derivatives

Operation category	Coverages	Negotiations	Other transactions
Protection purchases:	-	-	-
- With exchange of capital	-	-	-
- Without exchange of capital	-	-	-
Protection sales:	-	-	-
- With exchange of capital	-	-	-
- Without exchange of capital	-	-	-

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

	31/12/2018	31/12/2017
Asset management:	200.440.966	168.772.768
- Customer asset management	200.440.966	168.772.768
of which cash	25.221.033	27.219.133
of which cash deposited at the reporting institution	25.221.033	27.219.133
of which debt securities	170.822.826	135.256.927
of which debt securities issued by the reporting institution	-	100.000
of which debt securities issued by other San Marino credit institutions	-	-
of which capital securities and OIC shares	4.397.107	6.296.708
of which capital securities issued by the reporting institution	-	-
- Portfolios managed by third parties	-	-
Custody and administration of financial instruments:	405.082.574	357.256.099
- Deposited third parties securities	153.869.652	136.181.448
of which debt securities issued by the reporting institution	54.383.000	54.454.000
of which debt securities issued by other San Marino credit institutions	80.003	30.000
of which capital securities and other values issued by the reporting institution	19.300.000	17.800.000
of which third-party financial instruments deposited with third parties	79.796.019	63.060.977
- Owned securities deposit with third parties	251.212.922	221.074.651
Financial instruments, liquid assets and other assets related to custodian bank activity:	-	-
- Cash	-	-
of which cash deposited by the reporting institution	-	-
- Debt securities	-	-
of which debt securities issued by the reporting institution	-	-
of which debt securities issued by other San Marino credit institutions	-	-
- Capital securities, CIS shares, other financial instruments	-	-
of which capital securities issued by the reporting institution	-	-
- Assets other than financial instruments and cash	-	-

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 € 19.300.000.

Table 21.2 | Mediation for third parties: execution of orders

	31/12/2018	31/12/2017
Purchases	81.532.947	71.535.606
of which purchases not settled at the reference date	1.131.578	248.495
Sales	36.718.709	32.072.460
of which sales not settled at the reference date	2.935	50.207

Table 21.3 | Composition of Indirect Deposits by economic activity sector

	31/12/2018	31/12/2017
Public administrations	-	-
Financial companies:	3.602.819	4.108.496
- Monetary financial institutions	-	-
- Investment funds other than money market funds	-	-
- Other financial institutions	3.602.819	4.108.496
- Insurance companies	-	-
- Pension funds	-	-
Non-financial companies:	15.356.416	18.043.457
of which persons deleted from the Register of Authorized Entities		-
- Industry	4.769.006	6.032.788
- Building	156.998	156.883
- Services	9.100.699	10.370.862
- Other non-financial companies	1.329.713	1.482.924
Households and non-profit institutions serving households:	255.747.350	201.029.130
- Consumer families	254.824.427	200.050.679
- Non-profit institutions serving households:	922.923	978.451
Other	-	-
Total	274.706.585	223.181.083

Table 21.4 | Trust activity

	31/12/2018	31/12/2017
Transferable assets:	88.021.029	73.219.948
- financial instruments	77.665.422	66.240.263
- liquid assets	10.355.607	6.979.685
Company holdings:	24.700	295.040
- units or shares of joint-stock companies	24.700	50.440
- shareholders' loans	-	244.600
- liquid assets	-	-
Loans to third parties:	-	-
- financial instruments	-	-
- liquid assets	-	-
Other movable or intangible assets:	-	-
- movable or intangible assets	-	-
- liquid assets	-	-
Total of trust activity	88.045.729	73.514.988
of which total liquid assets	10.355.607	6.979.685

Table 21.5 | Assets held when acting as trustee

	31/12/2018	31/12/2017
Assets:		
- Cash and cash equivalents	-	-
- Loans	-	-
- Securities:	-	-
- Debt securities	-	-
- Capital securities	-	-
- OIC	-	-
- Other	-	-
- Holdings	-	-
- 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”

			Variations	
	31/12/2018	31/12/2017	Amount	%
On Treasury securities and other financial instruments eligible for refinancing with central banks:	-	-		
- Treasury Securities and other similar financial instruments	-	-		
- Other financial instruments eligible for refinancing with central banks	-	-		
On inter-bank loans:	45.001	47.997	(2.996)	(6,24%)
- Current accounts	43.306	47.583	(4.277)	(8,99%)
- Deposits	1.695	-	1.695	-
- Other loans	-	414	(414)	(100,00%)
of which on financial leases	-	-	-	-
On customer loans:	4.976.406	4.911.635	64.771	1,32%
- Current accounts	758.938	819.137	(60.199)	(7,35%)
- Deposits	-	-	-	-
- Other loans	4.217.468	4.092.498	124.970	3,05%
of which on financial leases	967.514	949.182	18.332	1,93%
On debt securities from banks:	-	-	-	-
- Certificates of deposit	-	-	-	-
- Bonds	-	-	-	-
- Other financial instruments	-	-	-	-
On financial debt instruments from customers (issued by other issuers):	8.176.069	7.590.492	585.577	7,71%
- Bonds	8.176.069	7.590.492	585.577	7,71%
- Other financial instruments	-	-	-	-
Total	13.197.476	12.550.124	647.352	5,16%

Table 22.2 | Composition of item 20 "Interests paid and costs"

			Variations	
	31/12/2018	31/12/2017	Amount	%
On debts with banks:	148.184	99.282	48.902	49,26%
- Current accounts overdrafts	25.622	13.005	12.617	97,02%
- Deposits	34.761	41.248	(6.487)	(15,73%)
- Other debts	87.801	45.029	42.772	94,99%
On debts with customers:	880.936	978.536	(97.600)	(9,97%)
- Current accounts overdrafts	689.239	693.032	(3.793)	(0,55%)
- Deposits	34.522	22.112	12.410	56,12%
- Other debts	157.175	263.392	(106.217)	(40,33%)
On debts represented by securities with banks	-	-	-	-
of which on certificates of deposit	-	-	-	-
On debts represented by securities with customers	2.185.223	3.967.485	(1.782.262)	(44,92%)
of which on certificates of deposit	1.238.559	1.996.258	(757.699)	(37,96%)
On subordinated liabilities	-	-	-	-
of which on hybrid capitalization instruments	-	-		
Total	3.214.343	5.045.303	(1.830.960)	(36,29%)

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

Table 23.1 | Composition of item 30 "Dividends and other revenues"

			Variations	
	31/12/2018	31/12/2017	Amount	%
On shares, quotas and other capital financial instruments	-	-	-	-
On holdings	-	-	-	-
On holdings in bank group companies	-	-	-	-
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”

			Variations	
	31/12/2018	31/12/2017	Amount	%
Guarantees issued	36.613	35.848	765	2,13%
Credit derivatives	-	-	-	-
Investment services:	1.554.357	1.329.075	225.282	16,95%
- receipt and transmission of orders (let. D 1 enc.1 LISF)	215.706	-	215.706	-
- execution of orders (let. D2 enc.1 LISF)	185.687	194.100	(8.413)	(4,33%)
- management of securities portfolio (let. D4 enc.1 LISF)	1.152.964	1.134.975	17.989	1,58%
- placement of securities (let.D5 and D6 enc.1 LISF)	-	-	-	-
Consultancy services	-	-	-	-
Distribution of third-party services and products other than placement:	-	-	-	-
- asset management	-	-	-	-
- insurance products	-	-	-	-
- other services or products	-	-	-	-
Collection and payment services	769.461	256.110	513.351	200,44%
Custodian bank services	-	-	-	-
Securities custody and management	42.641	35.787	6.854	19,15%
Trust services	3.500	6.652	(3.152)	(47,38%)
Operation of tax services and treasury	-	-	-	-
Currency transactions	45.722	41.639	4.083	9,81%
Commissions for collective management services (letters E and F, Annex 1 LISF)	-	-		
Electronic money	32.571	63.234		
Issuance/management of credit/debit cards	172.767	181.952		
Other services	224.852	429.816	(204.964)	(47,69%)
Total	2.882.484	2.380.113	502.371	21,11%

Table 24.2 | Composition of item 5 “Commissions paid”

			Variations	
	31/12/2018	31/12/2017	Amount	%
Guarantees received	-	50	(50)	(100,00%)
Credit derivatives	-	-	-	-
Investment services:	322.343	370.063	(47.720)	(12,90%)
- receipt and transmission of orders (let. D 1 enc.1 LISF)	-	-	-	-
- execution of orders (let. D2 enc.1 LISF)	87.845	152.103	(64.258)	(42,25%)
- management of securities portfolios (let. D4 enc.1 LISF):	234.498	217.960	16.538	7,59%
- own portfolio	36.350	57.116	(20.766)	(36,36%)
- third-party portfolio	198.148	160.844	37.304	23,19%
- placement of securities (let. D5 and D6 enc.1 LISF)	-	-	-	-
Door-to-door sale of financial instruments, products and services	-	-	-	-
Collection and payment services	116.624	148.103	(31.479)	(21,25%)
Commissions for distributors	-	-	-	-
Electronic money	91.974	51.637	40.337	78,12%
Issuance/management of credit/debit cards	359.903	148.582	211.321	142,23%
Other services	38.898	27.604	11.294	40,91%
Total	929.742	746.039	183.703	24,62%

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	145.255			-
Write-downs	5.072.828			-
Other profits / losses (+/-)	(1.152.149)	85.370	-	-
Total	(6.079.722)	85.370	-	-
of which Government securities	(1.340.457)			
of which Other debt financial instruments	(4.854.021)			
of which Capital financial instruments	114.756			
of which Contracts derived from financial instruments	-			

The items “Revaluations” and “Write-downs” include the capital gains and losses recognized on the value of securities in the trading portfolio at 31/12/2018. 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”

			Variations	
	31/12/2018	31/12/2017	Amount	%
Other operating income:				
- Expense recovery	514.983	413.285	101.698	24,61%
- Rental income capital	6.077.694	5.757.606	320.088	5,56%
Total	6.592.677	6.170.891	421.786	6,84%
Other operating charges				
Total	-	-	-	-

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

Table 27.1 | Number of employees by category

	Average as at 31/12/2018	Personnel cost as at 31/12/2018	Number as at 31/12/2018	Average as at 31/12/2017	Personnel cost as at 31/12/2017	Number as at 31/12/2017
Senior managers	13,00	1.958.669	13	13,00	1.923.975	13
Managers	1,00	80.906	1	1,00	70.088	1
Remaining personnel:	34,25	1.709.892	36	29,00	1.524.073	31
- Office employees	34,25	1.709.892	36	29,00	1.524.073	31
- Other personnel	-	-	-	0,00	-	-
Total	48,25	3.749.467	50	43,00	3.518.136	45

As a result of the development plan, the employed personnel increased of 5 units, bringing the total number of employees from 45 at the end of the year 2017 to the current number of 50. 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”

			Variations	
	31/12/2018	31/12/2017	Amount	%
Other administrative expenses	1.795.516	1.723.480	72.036	4,18%
- of which remuneration for independent auditors	35.020	30.000	5.020	16,73%
- of which for services other than budget review	-	-	-	-
- of which Other:	1.760.496	1.693.480	67.016	3,96%
(a) services	353.979	278.430	75.549	27,13%
(b) consumable materials	64.874	64.901	(27)	(0,04%)
(c) rental expenses	135.440	127.940	7.500	5,86%
(d) network service fees	449.021	393.603	55.418	14,08%
(e) insurance	60.560	80.224	(19.664)	(24,51%)
(f) maintenance and repair	56.266	52.874	3.392	6,42%
(g) utilities and service fees	118.822	92.956	25.866	27,83%
(h) supervisory and associative burdens	251.008	353.008	(102.000)	(28,89%)
(i) Taxes and duties	19.467	8.509	10.958	128,78%
(j) advertising	27.191	60.137	(32.946)	(54,78%)
(k) agency cost	38.251	13.475	24.776	183,87%
(l) transfer to the Depositors Guarantee Fund	78.947	78.190	757	0,97%
(m) other general expenses	106.670	89.233	17.437	19,54%

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

Table 27.3 | Remuneration

			Variations	
	31/12/2018	31/12/2017	Amount	%
(a) Directors	91.584	86.411	5.173	5,99%
(b) Auditors	41.150	39.000	2.150	5,51%
(c) Management	598.336	588.993	9.343	1,59%
Total	731.070	714.404	16.666	2,33%

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"

			Variations	
	31/12/2018	31/12/2017	Amount	%
(a) Intangible fixed assets	250.285	222.340	27.945	12,57%
of which on assets leased	-	-	-	-
of which on other intangible assets:	250.285	222.340	27.945	12,57%
- Software	97.012	90.773	6.239	6,87%
- Multi-year fees	153.273	131.567	21.706	16,50%
(b) Tangible fixed assets	6.363.699	6.012.891	350.808	5,83%
of which on assets leased	6.077.694	5.757.606	320.088	5,56%
of which on other tangible assets:	286.005	255.285	30.720	12,03%
- Lands and buildings	85.958	85.959	(1)	(0,00%)
- Furniture	47.481	42.776	4.705	11,00%
- Systems and technical equipment	69.795	61.814	7.981	12,91%
- Electronic office devices	74.896	55.582	19.314	34,75%
- Vehicles	7.875	9.154	(1.279)	(13,97%)
Total	6.613.984	6.235.231	378.753	6,07%

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"

			Variations	
	31/12/2018	31/12/2017	Amount	%
Provisions (relating to sub-item "Other funds" of liabilities)	-	-	-	-

Table not valued as data not present.

Table 28.3 | Item 130 "Allowances for possible loan losses"

			Variations	
	31/12/2018	31/12/2017	Amount	%
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”

				Variations
	31/12/2018	31/12/2017	Amount	%
Value adjustments on credits	1.532.663	2.604.519	(1.071.856)	(41,15%)
of which:				
- lump-sum adjustments for country risk	-	-		
- other lump-sum adjustments	59.608	140.182	(80.574)	(57,48%)
Provisions for guarantees and commitments	-	-	-	-
of which:				
- lump-sum adjustments for country risk	-	-	-	-
- other lump-sum provisions	-	-	-	-
Total	1.532.663	2.604.519	(1.071.856)	(41,15%)

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

		31/12/2018	31/12/2017		Variations
	Analytical	Lump sum		Amount	%
(A) Total cash credit write-downs:	1.473.055	59.608	1.696.313	(163.650)	(9,65%)
- Non-performing loans	674.374	-	708.038	(33.664)	(4,75%)
- Substandard loans	565.738	-	411.234	154.504	37,57%
- Other loans	232.943	59.608	577.041	(284.490)	(49,30%)
(B) Total losses on cash credits:	-	-	908.206	(908.206)	(100,00%)
- Non-performing loans	-	-	174.733	(174.733)	(100,00%)
- Substandard loans	-	-	879	(879)	(100,00%)
- Other loans	-	-	732.594	(732.594)	(100,00%)
Total cash value adjustments (A+B)	1.473.055	59.608	2.604.519	(1.071.856)	(41,15%)
(C) Total advances on guarantees and commitments:	-	-	-	-	-
- Guarantees	-	-	-	-	-
- Commitments	-	-	-	-	-
Total	1.473.055	59.608	2.604.519	(1.071.856)	(41,15%)

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

				Variations
	31/12/2018	31/12/2017	Amount	%
Write backs	478.406	297.579	180.827	60,77%
- of which on non-performing loans	88.556	161.852	(73.296)	(45,29%)
- of which on substandard loans	114.085	52.592	61.493	116,92%
- of which on other credits	275.765	83.135	192.630	231,71%

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

			Variations	
	31/12/2018	31/12/2017	Amount	%
Value adjustments	595.163	-	595.163	-
- 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	595.163	-	595.163	-
- of which on derivative financial instruments	-	-	-	-

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

			Variations	
	31/12/2018	31/12/2017	Amount	%
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 financial 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"

			Variations	
	31/12/2018	31/12/2017	Amount	%
Extraordinary income:				
- Profit from realization of investment securities	19.305	1.678.814	(1.659.509)	(98,85%)
- Capital gains	-	2.000	(2.000)	(100,00%)
- 2017 general income tax adjustment	15.881	-	15.881	-
- 2017 supervisory charge adjustment	32.249	-	32.249	-
- Credits subject to limitation Law no. 165/2015 Art. 149	154.272	-	154.272	-
- Other contingent assets	22.977	9.098	13.879	152,55%
Total	244.684	1.689.912	(1.445.228)	(85,52%)
Extraordinary expenses:				
- Losses from realization of investment securities	21.706	109.236	(87.530)	(80,13%)
- Non-deductible charges	18.247	225.975	(207.728)	(91,93%)
- Capital losses	6.000	-	6.000	-
- Property tax on equity	86.945	-	86.945	-
- Other	122	25	97	388,00%
Total	133.020	335.236	(202.216)	(60,32%)

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"

			Variations	
	31/12/2018	31/12/2017	Amount	%
Change in the General financial risk fund	(2.000.000)	500.000	(2.500.000)	(500,00%)

Section G – OTHER INFORMATION TABLES

31. Prudential aggregates

Table 31.1 | Prudential aggregates

	Amount / %
Regulatory capital	
- Core capital	31.129.819
- Supplementary capital	(930.548)
- Deductions	2.284.768
- Regulatory capital	27.914.503
Risk assets and supervisory ratios	
- Weighted risk assets	181.288.971
- Regulatory capital / Weighted risk assets	15,40%

The bank has assets suitable for hedging potential risks, highlighting a *total capital ratio* of 15,40% which is therefore well above the minimum requirement of 11%.

32. Major risks and related parties

Table 32.1 | Major risks

				Variations
	31/12/2018	31/12/2017	Amount	%
Amount	17.738.722	25.372.966	(7.634.244)	(30,09%)
Number	5	6	(1)	(16,67%)

Table 32.2 | Risks to related parties

				Variations
	31/12/2018	31/12/2017	Amount	%
Amount	9.166.613	6.406.283	2.760.330	43,09%
Number	11	10	1	10,00%

33. Time distribution of assets and liabilities

Table 33.1 | Time distribution of assets and liabilities

	Total	Sight	Up to 3 months	From 3 moths to 6 months	From 6 months to 1 year	From 1 year to 18 months	From more than 1 year to 18 months	From more than 18 months to 2 years	From more than 18 months to 2 years	From 2 years to 5 years	From more than 2 years to 5 years	More than 5 years	More than 5 years	No term
Fixed rate (F) – Variable rate (V)						F	V	F	V	F	V	F	V	
ASSETS														
Treasury securities and other financial instruments eligible for refinancing with central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans to credit institutions	81.021.378	61.325.315	18.558.759	64.186	-	-	-	-	-	-	-	-	-	1.073.118
Loans to customers	133.470.717	16.093.549	18.627.827	7.084.001	6.924.510	931.313	4.858.243	802.388	5.115.599	3.063.551	19.919.940	6.079.583	39.392.268	4.577.945
Bonds and other debt financial instruments	250.429.258	-	7.067.174	4.067.662	12.630.694	6.315.895	11.437.532	3.321.870	4.045.022	50.850.265	38.410.540	40.918.102	71.364.502	-
Off-balance sheet transactions	23.063.517	265.900	8.736.660	3.664.660	1.657.741	-	-	530.111	-	1.677.785	-	6.530.660	-	-
LIABILITIES														
Payables to credit institutions	4.155.356	1.054.825	29.589	1.760.440	1.310.502	-	-	-	-	-	-	-	-	-
Payables to customers	273.735.887	238.251.572	24.207.231	4.619.469	6.657.615	-	-	-	-	-	-	-	-	-
Payables represented by financial instruments:	160.573.428	2.159.194	44.789.474	37.932.427	19.632.456	3.154.822	-	30.566.165	-	22.338.890	-	-	-	-
- Bonds	54.456.832	-	-	2.220.775	-	-	-	30.012.435	-	22.223.622	-	-	-	-
- Certificates of deposit	106.116.596	2.159.194	44.789.474	35.711.652	19.632.456	3.154.822	-	553.730	-	115.268	-	-	-	-
- Other financial instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other liabilities: cheques in circulation and similar securities	619.217	619.217	-	-	-	-	-	-	-	-	-	-	-	-
Subordinated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Off-balance sheet transactions	5.654.179	-	1.177.610	3.536.157	940.412	-	-	-	-	-	-	-	-	-

This table represents a breakdown of the residual life of assets and liabilities in the balance sheet. The column “No term” 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

				31/12/2018				31/12/2017
Type of operations	Amount of operations	Number of operations	Commissions received	Expense recoveries	Amount of operations	Number of operations	Commissions received	Expense recoveries
(a) Credit cards	14.632.541	167.422	165.927	2.800	9.691.272	11.490	130.618	106.663
(b) Debit cards	9.278.420	141.452	7.330	1.732	3.808.745	56.851	51.334	41.919
(c) Electronic money	6.110.519	63.642	32.788	5.333	4.691.682	44.454	63.234	51.637
Total	30.021.480	372.516	206.045	9.865	18.191.699	112.795	245.186	200.219

Table 36.2 | Fraudulent uses

				31/12/2018				31/12/2017
Type of operations	Amount of operations	Number of operations	Charges for the intermediary	Insurance reimbursements	Amount of operations	Number of operations	Charges for the intermediary	Insurance reimbursements
(a) Credit cards	9.361	64	-	-	5.491	24	-	-
(b) Debit cards	247	3	-	-	-	-	-	-
(c) Electronic money	846	10	-	-	46	4	-	-
Total	10.454	77	-	-	5.537	28	-	-

Table 36.3 | Credit cards revoked due to insolvency

		31/12/2018		31/12/2017
Risk operation type	Amount	Number of cards	Amount	Number of cards
(a) On the intermediary	-	-	378	1
(b) On third parties	-	-	-	-
Total	-	-	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.

signed The Chairman of the Board of Directors

AUDITING FIRM'S REPORT PURSUANT TO THE COMBINED PROVISIONS OF ARTICLE 33, PARAGRAPH 1, LETTER A) OF LAW NO. 165 OF NOVEMBER, 17 2005 AS AMENDED (LISF) AND ARTICLE 68, PARAGRAPH 1, POINTS 2) AND 3) OF LAW NO. 47 OF FEBRUARY 23, 2006 AS AMENDED (COMPANIES ACT)

To the shareholders of
BANCA SAMMARINESE DI INVESTIMENTO S.p.A.

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 December 31, 2018, 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.

ab & d audit business & development spa | Via XXVIII Luglio, 212 - 47893 Borgo Maggiore RSM - Telefono 0549 888803 – Fax 0549 888804 - Riconoscimento Giuridico del 15 novembre 2004
Iscritta al n. 1 del Registro Revisori Contabili - Iscritta al n.3502 del Pubblico Registro delle Società - Codice Operatore Economico: sm 19612 - Cap. soc. 100.000,00 Euro i.v.

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 December 31, 2018 and the economic result for the year closed as at such date.

A note to public disclosure

Without modifying our judgment, we would like to draw attention to the information contained in the Explanatory Notes regarding:

- the application of article 40 of Law no. 173/2018 with regard to the greater value adjustments deriving from the exercise of Asset Quality Review as better detailed and justified in paragraph 4 of the Explanatory Notes;
- the transfer of financial instruments from the free portfolio to the investment one in compliance with the provisions of article IV.V.1 of CBSM Regulation no. 2016-02 as detailed and justified in paragraph 5 of the Explanatory Notes;
- the partial use of the General Financial Risks Fund as better detailed and justified in paragraph 19 of the Explanatory Notes.

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 December 31, 2018, 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 December 31, 2018 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 December 31, 2018 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, 04/04/2019

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

Marco Stolfi
Auditor

*** *** ***

“BANCA SAMMARINESE DI INVESTIMENTO S.P.A.

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

Companies Register Registration no. of 29/05/2002

Share Capital € 21.500.000 fully paid in – Economic Operator Code SM18493

*** *** ***

REPORT OF THE BOARD OF STATUTORY AUDITORS TO THE FINANCIAL STATEMENTS FOR THE YEAR CLOSED AS AT 31.12.2018

*** *** ***

Dear Shareholders,

the draft financial statements for the year ended December 31, 2018, 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 December 31, 2018 with the rules governing the drafting criteria was also made available to the Board of Statutory Auditors. Without modifying the judgment, the Report contains information regarding:

- greater value adjustments deriving from the exercise of Asset Quality Review;
- transfer of financial instruments from the free portfolio to the investment one;
- partial use of the General Financial Risks Fund.

The financial statements, the notes to the financial statements and the Board of Directors' report on the 2018 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	1.002.533
Tangible fixed assets net of funds	Euro	34.937.937
Current assets: cash and cash equivalents	Euro	82.479.131
Current assets (net of the Allowance for doubtful accounts): loans and securities	Euro	383.394.263
Accrued income and prepaid expenses	Euro	1.791.358
TOTALE ASSETS	**Euro**	**503.605.222**
Net Equity		
Share capital	Euro	21.500.000
Other reserves	Euro	6.820.774
Current earnings (losses)	Euro	811.578
LIABILITIES		
Employees' termination benefits provision	Euro	323.452
Provisions	Euro	230.184
Provisions for general financial risks	Euro	3.000.000
Subordinated liabilities	Euro	0
Payables to banks	Euro	4.155.356
Payables to customers, securities and others	Euro	466.676.081
Accrued liabilities and deferred income	Euro	87.797
TOTAL LIABILITIES AND NET EQUITY	**Euro**	**503.605.222**
Guarantees, commitments, risks and order accounts	Euro	44.358.901
Profit and loss account:		
Positive components	Euro	25.553.903
Negative components	Euro	24.742.325
Current earnings (losses)	Euro	811.578

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 December 31, 2018, 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 December 31, 2018, 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 2018 financial year highlights a positive result of € 811.578 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 December 31, 2018, 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 23, 2019

The Board of Statutory Auditors

Avv. Alfredo Amici (Chairman)

Rag. Marco Cevoli

Avv. Alessandro Olei