

Research Update:

Republic of San Marino Rated 'BBB-/A-3'; Outlook Stable

November 12, 2024

Overview

- We expect San Marino's real GDP growth to strengthen to 1.0% this year and further in the coming years, backed by strong domestic demand and expected recovery in key trading partners, following a slowdown in 2023.
- In addition, we believe that the forthcoming implementation of the association agreement with the EU will act as an additional anchor for governance standards and support economic growth.
- We view positively the government's implementation of reforms in the labor market and pension system and the progress on restructuring the banking sector via the establishment of a special-purpose vehicle, Asset Management Company (AMC), which has substantially reduced nonperforming exposures to 24.6% of systemwide loans in June this year from 55% in April 2023.
- We expect net general government debt, including the remaining liabilities related to the resolution of Banca Nazionale Sammarinese (BNS), to decline from about 64% of GDP in 2023 to about 60% in 2027, absent any additional direct banking-system support beyond our current projections.
- We assigned our 'BBB-/A-3' long- and short-term foreign and local currency sovereign credit ratings to San Marino. The outlook is stable.

Rating Action

On Nov. 12, 2024, S&P Global Ratings assigned its 'BBB-' long-term and 'A-3' short-term foreign and local currency sovereign credit ratings to the Republic of San Marino. The outlook on the long-term rating is stable. We also assigned a transfer and convertibility assessment of 'AAA'.

Outlook

The stable outlook balances risks to San Marino's economic performance stemming from weaker external demand against further improvements in the government's budgetary position and

PRIMARY CREDIT ANALYST

Alejandro Rodriguez Anglada
Madrid
+ 34 91 788 7233
alejandro.rodriguez.anglada
@spglobal.com

SECONDARY CONTACTS

Marko Mrsnik
Madrid
+34-91-389-6953
marko.mrsnik
@spglobal.com

Francesca Sacchi
Milan
+ 39027211272
francesca.sacchi
@spglobal.com

Riccardo Bellesia
Milan
+39 27211229
riccardo.bellesia
@spglobal.com

RESEARCH CONTRIBUTOR

Ashay Gokhale
CRISIL Global Analytical Center, an
S&P affiliate, Mumbai

ADDITIONAL CONTACT

Sovereign and IPF EMEA
SOVIPF
@spglobal.com

resolution of the outstanding challenges in the banking sector.

Downside scenario

We could lower the rating if San Marino's budgetary position significantly deteriorates compared with our current expectations or if the government's funding conditions weaken materially. We could also lower the ratings in case of heightened risks to asset quality or liquidity constraints in San Marino's banking sector.

Upside scenario

We could raise the rating if San Marino's budgetary position improves further, resulting in a sharper decline in the government debt-to-GDP ratio compared with our current projections, potentially supported by a faster reduction in contingent fiscal risks emanating from the banking sector. We may also raise the rating should the data on the country's external financial position, including full data on its international investment position, become available and suggest a strong external financial profile.

Rationale

Our sovereign rating on San Marino is supported by the country's wealthy economy, stable and mature institutions, and strong budgetary performance. The rating is constrained by relatively high government debt and elevated contingent liabilities stemming from remaining banking sector vulnerabilities, and a lack of monetary flexibility. Under the 2012 Monetary Agreement with the EU, San Marino can use the euro as legal tender. San Marino is not a member of the Economic and Monetary Union (EMU) and does not have access to the European Central Bank (ECB) as a lender of last resort, a key difference compared with EMU peers.

Institutional and economic profile: The government is addressing structural economic weaknesses

- San Marino is as a small, open, and wealthy economy that is relatively diversified for its size, although economic performance can be volatile.
- The government has implemented reforms in the labor market and pension system and made progress on restructuring the banking sector and reducing its nonperforming exposures (NPEs) by establishing the AMC.
- We expect real GDP growth to average 1.3% over our forecast horizon.

San Marino is a small, open, and wealthy economy, with the 2024 GDP per capita estimated at \$59,710. Despite its small population of about 34,000, the country has a relatively diversified economy. That said, the size of the economy can make economic performance volatile. Between 2008 and 2019, San Marino suffered a sharp economic downturn, during which its GDP per capita more than halved, most notably because of a considerable contraction in the banking sector. International banking-sector regulations focused on increasing transparency and reducing tax avoidance triggered the end of offshore banking. The contraction of the banking sector has weighed on San Marino's economy.

According to San Marino's statistical office, manufacturing contributed an estimated 36.4% of

Research Update: Republic of San Marino Rated 'BBB-/A-3'; Outlook Stable

GDP in 2022, a considerably larger share compared with other micro-sovereigns in Europe, which typically focus on services. For example, a specialization in motor components reflects the economy's close integration with the Italian regions of Lombardy and Emilia-Romagna in this sector. Other services (25.6%) and commerce (14.1%) are the other two key sectors, with financial and insurance sectors contributing only 3.8% of GDP in 2022.

Following the pandemic, the economy recovered rapidly and remained resilient, despite the adverse indirect economic effects of the war in Ukraine and the ECB's rapid monetary policy tightening. Nevertheless, a substantial drop in external demand, in particular from Italy (due to the termination of the Italian superbonus tax credit scheme and tightened monetary conditions) resulted in an economic slowdown in San Marino in 2023.

We expect the economy to gradually strengthen again. Economic growth will likely stem from domestic demand on the back of private consumption, driven by resilient labor market performance and gradual monetary easing, which in turn will also favor investment activity. At the same time, tourism continues to perform strongly. The number of visitors this year until September was almost 3% higher than in the same period in 2023 and almost 8% higher than in the same period in the prepandemic 2019. In addition, economic activity is reflected by persistent growth in the number of new companies since 2019, when the trend bottomed out.

As a result of economic growth, we expect the unemployment rate to be below 4% during 2025-2027, a significant decrease from 8% in 2021. After a temporary and slight increase in unemployment in 2024, we expect further favorable dynamics over 2025-2026, albeit at a slower pace, in line with economic growth. The labor market is characterized by the significant number of cross-border workers. The proportion has been increasing over the past several years, indicating a tight labor market--it reached about 33% of employees in July 2024 from below 30% in 2019. The government's labor market reform last year has appropriately addressed rigidities related to the hiring of cross-border workers and liberalized this market segment, so that the number increased by almost 6% between July 2023 and July 2024 to a total of 8,200. For several years now, the total number of employees has been beating all-time highs, which will help drive consumption, together with easing inflation and real wage growth.

The authorities have been working on expanding the tourism industry by attracting investments in the sector, upgrading accommodation facilities, and targeting the upper middle class, which do not make up a significant part of San Marino's otherwise substantial tourist flows. This would allow an increase in the average stay in San Marino, which has been on an upward trajectory for many years, but is still relatively short, at about 1.6 days so far in 2024. The government's economic policy agenda has been focused on stimulating growth, including by developing technology-based sectors, improving the business environment, and addressing the challenges of economic and social recovery through policies that stimulate growth in employment and business. Given the easing credit conditions, we expect investment activity will pick up in line with the eurozone countries.

Following the June 2024 legislative elections, we don't expect any significant change in the government's economic and budgetary policies. The government coalition is composed of four parties, three of which: Sammarinese Christian Democratic Party; Reform Alliance; and the Party of Socialists and Democrats, were part of the previous government. Besides continuing with budgetary consolidation and further improvement in the banking sector's position, one of the key government priorities will be the implementation of the association agreement with the EU (which also concerns Andorra). We consider that the finalization of the agreement provides an opportunity to foster greater economic diversification, including via increased foreign direct investments, but the impact is unlikely to be felt before 2026-2027. Although the agreement still needs to be ratified, either by the EU Parliament or by all the EU members, it could be in place as

of 2025. The agreement will allow San Marino to access the EU's internal market, broadening its export opportunities and enabling it to further diversify its economy, while strengthening the institutional frameworks and aligning them with the EU.

The relationship between San Marino and the EU is governed by two important agreements, namely the 2012 monetary agreement, which allows San Marino to use the euro as its legal currency, and a customs union agreement for trade. The two agreements will be absorbed into the abovementioned broader association agreement. In addition, San Marino has signed several double-tax agreements with other sovereigns, most importantly with Italy.

Flexibility and performance profile: Budgetary consolidation will lead to a gradual decline in the government debt-to-GDP ratio

- We expect San Marino's net government-to-GDP ratio will decline to about 60% in 2027 from about 64% of GDP in 2022, absent any additional banking-system support beyond our budgetary deficit projections, and contingent liabilities will remain a risk to the country's budgetary position.
- San Marino's 2012 monetary agreement with the EU means that the euro is its legal tender and domestic monetary conditions are shaped by the ECB.
- We forecast general government deficits will remain modest, supported by relatively high nominal GDP growth and conservative spending management.

Following a substantial improvement in budgetary performance in 2022, with the general government surplus of about 0.4% of GDP helped by strong revenue growth and lower-than-budgeted government spending, the budget balance worsened in 2023 on the back of the economic slowdown and higher interest payments. During 2025-2027, we expect the government to undertake a gradual budgetary consolidation and post modest budget deficits, with persistent primary budget surpluses. The government is planning to continue widening the tax base by reducing tax exemptions and tax incentives. At the same time, legislation on the introduction of a value-added-tax system will be adopted and implemented over the next three years. The government is also committed to contain spending growth. As a result of these measures, we expect general government budget deficits to gradually decline over our forecast horizon.

The general government balance is characterized by a pension system deficit driven primarily by a demographic shift, with an old-age dependency ratio of 31.3% in 2020. This has heightened budgetary pressures and last year the government implemented a pension reform (approved in 2022), with measures including an increase in the effective retirement age and higher contributions. The impact of the reform is reducing the pension system deficit and mitigating budgetary pressures from pension spending beyond our forecast horizon through 2027.

Over the past decade, San Marino's budgetary performance has been hit by consecutive government decisions to provide direct or indirect budgetary support to the banking sector. The government's support of both Cassa di Risparmio di San Marino (CRSM) and BNS (under its former name, Banca CIS SpA) represented about 25% of total banking sector assets. BNS was renamed after assets were transferred to the special-purpose vehicle AMC and the Central Bank of San Marino withdrew its banking license in mid-2021. The government's remaining explicit commitments in support of the banking sector relate to BNS' liabilities, which we understand are partly serviced from the remaining assets that were transferred to AMC from BNS.

We expect San Marino's net general government debt--including the government's explicit

Research Update: Republic of San Marino Rated 'BBB-/A-3'; Outlook Stable

financial commitments--to decline to about 60% in 2027 from about 64% of GDP in 2022, absent any additional direct support to the banking system or slower budgetary consolidation than we currently expect. Government gross financing needs will increase substantially in 2027, given the maturity of its €350 million Eurobond due in January 2027. That said, we believe the government maintains access to foreign capital markets. We forecast the government's interest payments to average at slightly above 6% of general government revenue in 2025-2027.

Because of insufficient balance of payments and international investment position data, we evaluate San Marino's external position using data on Italy, to which its economy is most closely tied, as a starting point. Italy accounts for about 90% of San Marino's exports and about 79% of its imports. We apply a negative adjustment to our initial external assessment due to the lack of external data. We understand that the Sammarinese authorities are working to address this deficiency in cooperation with the IMF.

Our view of San Marino's creditworthiness is constrained by the country's lack of an independent monetary policy. The Central Bank of San Marino supervises the banking, financial, and insurance sectors, and, among other functions, manages the Treasury and State Tax Department services on behalf of the state. However, it does not have an independent monetary policy role. In 2012, the authorities signed a monetary agreement with the EU, enabling San Marino to use the euro as its official currency. Consequently, San Marino was allowed to issue its own euro coins in limited quantities and grant legal tender status to euro banknotes. In return, San Marino committed to adopting and implementing all appropriate measures for the application of relevant EU banking and financial legislation, including the prevention of money laundering, fraud, and counterfeiting. In this context, Moneyval, the EU's committee of experts on the evaluation of anti-money laundering measures and the financing of terrorism, in its 2024 follow-up report acknowledged San Marino's progress on policies to prevent money laundering and the financing of terrorism. Importantly, in 2020, the Central Bank of San Marino obtained a repo (sale-and-repurchase) line with the ECB worth €100 million, which has been repeatedly renewed and is scheduled to expire at the end of January 2025. In light of improved liquidity in the banking system, the line has not been drawn down so far.

The banking sector's resilience has gradually strengthened in recent years on the back of the establishment of the AMC, which helped the Sammarinese banks manage their sizable stock of nonperforming assets accumulated during past financial crises. As a result, the gross NPE ratio declined to 24.6% as of end-June 2024 (18.5% net of provisions), from 56.2% at end-2022 (63.1% in 2020). After the disposal of a large part of NPEs to the AMC, NPE coverage stood at about 31% at end-June 2024. Despite the recent improvements, we still consider the asset quality of the Sammarinese banking sector to be weaker than that of peer countries, because the banking sector has the largest NPE ratio of all the European sovereigns we rate.

We therefore take a positive view of the authorities' efforts to reduce banks' NPEs, thereby freeing up capital and resources. In addition, since January 2024, banks have been required to gradually fully provision the remaining NPEs on their balance sheets, in line with the EU calendar provisioning. We believe this initiative will reduce incentives for banks, especially the less-capitalized ones, to keep NPEs on their balance sheets for a long time, as banks would need to hold more capital against insufficiently provisioned NPEs.

Beyond large asset-quality problems, we view business stability for San Marino's banks as being in need of strengthening. Banks initially based their business models on San Marino's status as an offshore financial center. Although this was successful in the past, increased international cooperation to fight tax avoidance and money laundering, as well as tougher new domestic regulations, have resulted in the failure or merger of several weaker banks and almost all fiduciary companies, with the remaining banks forced to change their business models. Since 2021, the

banking system has posted small profits in aggregate. That said, we believe that declining interest rates could exacerbate the banking sector's structural profitability issues, including limited revenue diversification and the high operating cost base. Even though the banking sector has contracted significantly over the past decade, it remains large and exposes the government to contingent fiscal risks, in our view. Total banking-system assets were estimated at about 2.3x GDP in 2023, compared with almost 7x in 2008.

Nonresident deposits are estimated to represent about 10% of total deposits, down from about 60% in 2008, after a fiscal amnesty granted by the Italian authorities in 2009-2010 contributed to about 45% of deposit outflows, mainly by nonresidents, over 2009-2019.

Key Statistics

Table 1

Republic of San Marino selected indicators

Mil. €	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Economic indicators (%)										
Nominal GDP (bil. €)	1.4	1.4	1.4	1.6	1.7	1.8	1.9	2.0	2.0	2.1
Nominal GDP (bil. \$)	1.7	1.6	1.5	1.9	1.8	2.0	2.1	2.2	2.4	2.4
GDP per capita (000s \$)	49.5	48.1	45.9	55.1	54.2	58.0	61.1	65.9	69.1	71.3
Real GDP growth	1.5	2.1	(6.6)	13.9	7.9	0.4	1.0	1.5	1.3	1.3
Real GDP per capita growth	1.2	1.6	(6.8)	13.7	7.5	0.1	0.8	1.3	1.1	1.1
Real investment growth	2.3	17.8	(25.2)	3.8	4.0	2.4	3.0	3.0	2.5	1.0
Investment/GDP	20.6	24.0	18.1	22.2	17.1	17.5	17.9	18.2	18.4	18.4
Savings/GDP	18.7	26.1	20.8	27.6	32.6	N/A	N/A	N/A	N/A	N/A
Exports/GDP	166.6	164.0	164.5	184.3	208.3	207.6	207.3	207.6	207.9	208.4
Real exports growth	1.2	0.5	(7.1)	26.6	21.0	1.8	1.7	1.8	1.7	1.8
Unemployment rate	8.0	7.7	7.3	6.4	5.1	4.2	4.3	3.9	3.7	3.7
External indicators (%)										
Current account balance/GDP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Current account balance/CARs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CARs/GDP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Trade balance/GDP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net FDI/GDP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net portfolio equity inflow/GDP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gross external financing needs/CARs plus usable reserves	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Narrow net external debt/CARs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Narrow net external debt/CAPs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Table 1

Republic of San Marino selected indicators (cont.)

Mil. €	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Net external liabilities/CARs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net external liabilities/CAPs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Short-term external debt by remaining maturity/CARs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Usable reserves/CAPs (months)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Usable reserves (mil. \$)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiscal indicators (general government; %)										
Balance/GDP	(4.1)	0.1	(4.5)	(4.3)	0.4	(1.0)	(1.2)	(1.2)	(1.0)	(0.9)
Change in net debt/GDP	1.0	2.6	4.7	23.1	(4.1)	4.2	(1.3)	1.2	1.0	0.9
Primary balance/GDP	(3.7)	0.5	(3.6)	(2.4)	1.7	1.3	1.1	0.9	1.2	1.3
Revenue/GDP	38.7	39.9	38.3	33.3	36.5	36.2	36.3	36.1	35.8	35.5
Expenditures/GDP	42.7	39.8	42.8	37.6	36.1	37.2	37.5	37.3	36.8	36.4
Interest/revenues	0.8	0.9	2.5	5.7	3.5	6.4	6.2	5.8	6.2	6.2
Debt/GDP	57.2	57.4	71.7	81.3	74.7	73.0	66.8	65.7	64.6	63.4
Debt/revenues	147.9	143.9	187.0	244.2	204.6	201.5	183.9	181.9	180.4	178.6
Net debt/GDP	54.2	55.2	63.6	77.9	66.1	67.5	63.6	62.6	61.6	60.5
Liquid assets/GDP	3.0	2.2	8.1	3.4	8.5	5.5	3.2	3.1	3.0	2.9
Monetary indicators (%)										
CPI growth	1.2	0.5	(0.1)	1.6	5.3	5.9	2.3	1.9	1.9	1.9
GDP deflator growth	2.1	0.9	0.3	1.8	2.8	4.1	3.0	2.0	2.0	2.0
Exchange rate, year-end (€/€)	0.9	0.9	0.8	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Banks' claims on resident non-gov't sector growth	(6.9)	(6.8)	(4.2)	(12.0)	(1.6)	(16.9)	(3.0)	1.0	1.0	1.0
Banks' claims on resident non-gov't sector/GDP	115.8	104.7	107.1	81.2	72.0	57.3	53.4	52.1	50.9	49.8
Foreign currency share of claims by banks on residents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Foreign currency share of residents' bank deposits	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Real effective exchange rate growth	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Adjustments: Debt includes government commitments with respect to BNS.

Sources: Ministry of Finance, Central Bank of San Marino, Office of Economic Planning, Data Processing and Statistics.

Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private-sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A--Not applicable. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Ratings Score Snapshot

Table 2

Republic of San Marino ratings score snapshot

Key rating factors	Score	Explanation
Institutional assessment	3	The government's policies have been effectively addressing structural economic weaknesses with respect to the banking sector, public finances, and economic growth that have been weakened by past policy choices. We expect the new government to continue its focus on stability-oriented economic policies, with the focus on improving the budgetary position.
Economic assessment	2	Based on GDP per capita (US\$) and growth trends as per Selected Indicators in Table 1. Economic performance marked by volatility.
External assessment	5	The sovereign has limited external data. We therefore assign an initial assessment that is the same as the initial assessment applied to Italy, San Marino's largest trading partner. The sovereign's external data lack consistency, as there is a lack of sufficient external accounts information.
Fiscal assessment: flexibility and performance	2	Based on the change in net general government debt (% of GDP) as per Selected Indicators in Table 1.
Fiscal assessment: debt burden	5	Based on net general government debt (% of GDP) and general government interest expenditures (% of general government revenues) as per Selected Indicators in Table 1. The debt service profile is generally subject to significant variations. Contingent liabilities are high, emanating especially from the large banking sector--total assets under management estimated at about 2.4x GDP in 2024.
Monetary assessment	6	San Marino uses the euro, but has no direct access to the European Central Bank, beyond the established liquidity line. Consumer price index as per Selected Indicators in Table 1. Weak monetary transmission mechanism, reflected, for example, in the large nonperforming exposures ratios.
Indicative rating	bb+	As per Table 1 of "Sovereign Rating Methodology."
Notches of supplemental adjustments and flexibility	1	Nonperforming exposures ratios in the banking sector are expected to improve further. In addition, although the data gaps regarding the external financial position complicate the assessment of external financing needs, preliminary data point to a strong external position.
Final rating		
Foreign currency	BBB-	
Notches of uplift	0	Default risks do not apply differently to foreign and local currency debt.
Local currency	BBB-	

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Sovereign Ratings List, Oct. 9, 2024
- Sovereign Ratings History, Oct. 9, 2024
- Sovereign Ratings Score Snapshot, Oct. 8, 2024
- Economic Outlook Eurozone Q4 2024: Consumer Spending To The Rescue, Sep 24, 2024

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

New Rating; Outlook Action

Republic of San Marino

Sovereign Credit Rating	BBB-/Stable/A-3
-------------------------	-----------------

Transfer & Convertibility Assessment	AAA
--------------------------------------	-----

Research Update: Republic of San Marino Rated 'BBB-/A-3'; Outlook Stable

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.spglobal.com/ratings for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at <https://disclosure.spglobal.com/ratings/en/regulatory/article/-/view/sourceid/504352>. Complete ratings information is available to RatingsDirect subscribers at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.spglobal.com/ratings. Alternatively, call S&P Global Ratings' Global Client Support line (44) 20-7176-7176.

Copyright © 2024 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Rating-related publications may be published for a variety of reasons that are not necessarily dependent on action by rating committees, including, but not limited to, the publication of a periodic update on a credit rating and related analyses.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.spglobal.com/ratings (free of charge), and www.ratingsdirect.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.spglobal.com/usratingsfees.

STANDARD & POOR'S, S&P and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.