

BILANCIO D'ESERCIZIO
ANNUAL REPORT

2007



2007

ANNUAL REPORT





CONTENTS	
GOVERNING BODIES OF THE CENTRAL BANK OF THE REPUBLIC OF SAN MARINO	pag. 73
GOVERNING COUNCIL REPORT ON 2007 MANAGEMENT.....	pag. 75
Important events which occurred after the closure of the financial year	pag. 79
2007 FINANCIAL STATEMENTS	
Balance Sheet Assets	pag. 83
Balance Sheet Liabilities	pag. 84
Guarantees and Commitments / Suspence Accounts	pag. 85
Profit and Loss Account	pag. 86
Reclassified Profit and Loss Account	pag. 88
NOTES TO THE FINANCIAL STATEMENTS	
Structure and contents of the Financial Statements	pag. 93
Part A - Valuation criteria	pag. 95
Part B - Information on the Balance Sheets	pag. 99
Part C - Information on the Profit and Loss Account	pag. 112
APPENDIX TO THE NOTES	
Annex 1: Human Resources Schedule	pag. 120
Annex 2: Net Equity Schedule	pag. 121
Annex 3: Statement of Financial Condition Schedule.....	pag. 122
BOARD OF AUDITORS REPORT	
ON THE BALANCE SHEETS CLOSED ON 31 DECEMBER 2007	pag. 125
INDEPENDENT AUDITOR'S REPORT	pag. 131



GOVERNING BODIES OF THE CENTRAL BANK OF THE REPUBLIC OF SAN MARINO*

GOVERNING COUNCIL

Valentini Antonio	Chairman <i>(mandate ended on January 7 2008; the nomination of a substitute is pending)</i>
Bugli Nazzareno	Vice Chairman
Belluzzi Gian Luca	Member
Berardi Orietta	Member
Bizzocchi Stefano	Member
Stolfi Marco	Member

BOARD OF AUDITORS

Bianchini Alessandro	Chairman
Tumietto Massimo	Auditor
Zafferani Guido	Auditor

DIRECTORATE GENERAL

Papi Luca	Director General
Bernardi Daniele	Vice Director General

SUPERVISION COMMITTEE

Papi Luca	Chairman
Caringi Stefano	External Inspector
Veronesi Nicola	Internal Inspector

* on 30 May 2008



*GOVERNING COUNCIL REPORT
ON 2007 MANAGEMENT*





Dear Shareholders,

the following are the main data and economic-equity indicators pertaining to 2007 management.

As in past years, the Balance Sheet tables have been drawn up in conformity with the standards and rules pursuant to the laws in force.

Total assets rose from 378 to 463 million euro. The “Debts with Customers” entry increased from 282 to 307 million euro, while the “Debts with Banks” decreased from 34 down to 28 million euro. The “Debts Represented by Securities” entry underwent a considerable increase from 5 million to 64 million euro (of the latter amount, 60 million are repurchase agreements for securities loans). Net equity, encompassing the “Endowment Fund”, the “Reserves”, the “Fund for General Banking Risks” and the “Net Profits” from the year 2007 increased from 48 to 52 million euro. The aforesaid increment reflects the Bank’s firm commitment to consolidating equity.

The main “Assets” entry “Bonds and Other Debt Securities”, increased from 307 to 345 million euro; the traditional accounting criteria of high credit quality and low financial investment risk were strictly observed.

To the latter item should be added “Inter-bank Loans”, which rose to 74 million euro, compared to the preceding financial report, when the same entry amounted to 38 million euro.

The “Customer Loans” item also increased from 12 to 21 million euro.

The value of the “Holdings” reflects a slight increase, rising from 203,022 to 204,544 euro; a revaluation of the net equity was carried out for both holdings on the basis of the 2006 Balance Sheet entries.

The following table contains the main aggregates of the Balance Sheet, with any variations thereto, as well as the reclassified Profit and Loss Account.

	2007	2006	variations	
			absolute	%
Balance Sheet totals	462,702,936	377,786,655	84,916,281	23.5
Inter-bank loans	74,368,290	37,640,715	36,727,575	97.6%
Customer loans	21,083,455	12,396,182	8,687,273	70.1%
Bonds and other debt securities	345,286,120	306,746,155	38,539,965	12.6%
Shares, quotas, capital stocks	8,783,770	8,674,990	108,780	1.3%
Holdings	204,544	203,022	1,522	0.7%
Debts with banks	28,209,290	34,134,199	-5,924,909	-17.4%
Debts with customers	306,501,021	281,804,693	24,696,328	8.8%
Debts represented by securities	63,847,561	5,466,324	58,381,237	1068.0%
Total Net Equity*	51,465,761	48,037,909	3,427,852	7.1%

* The total includes the Endowment fund, Reserves, the Fund for General Banking Risks and undistributed profits, as is more clearly shown in the proposal for balance sheet profit distribution.

Examination of the reclassified Profit and Loss Account will allow readers to focus on the main income margins, as well as the operating performance.

The “Money Management Margin” increased by 32.9% compared to the previous year’s Financial Statements. Contributing to this change was – above all—the “Interest on Securities” item, due to the considerable rate increases registered during 2007. The rise was also caused by a larger share of portfolios invested in securities following increased raising of funds from customers and banks.

At the same time, part of the aforesaid margin growth was neutralised by increased interest paid out to customers and to banks.

The “Financial Management Margin” increased by 30.4%; prudent investment criteria were observed at all times.

The “Gross Contribution Margin” rose by 23%. The “Other Proceeds” item underwent a 10% increase, due in part to the increase in the charges to be paid by the Public Administration, and partially due to supervisory levies, as will be more clearly outlined further on.

The “Ordinary Operating Margin” increased by 76.8%.

Due to the widening of the scope of Central Bank functions, it was necessary to increase the number of employees, which in turn lead to a rise in labour costs and relative expenses. In percentage terms, labour costs increased by 8.9%. Although the depreciation relative to the Bank’s premises was registered in the Profit and Loss Account, in absolute terms, the depreciation value was 10.2% lower compared to the previous year’s Financial Statements.

Among the positive entries, it should be remembered that the “Charges levied from supervised parties” received by the Central Bank for the carrying out of such functions, were registered under the “Other Proceeds” item. Despite the fact that, in 2007, the Central Bank sustained direct and indirect costs totalling 1,707,533 euro, it was decided that the supervised parties would be charged for 929,431 euro, amounting to an 11.5% increase compared to the 2006 balance sheet period. The Central Bank therefore sustained costs of 778,102 euro.

During the 2007 balance sheet period no significant figures were entered for the Extraordinary Operating Proceeds and Costs, and the Gross Operating Margin equalled 3,629,590 euro, with an increase compared to the preceding Financial Statements amounting to 77.3% (2,047,144 euro).

Pre-provision Profits (3,645,106 euro) were 56.6% higher than in 2006. Following the provision to the “General Banking Risks Fund” totalling 2,770,000 euro, with the aim of increasing the Bank’s equity, Net Profits amounted to 875,106 euro. The foresaid figure represents an 8.3% increase compared to last year.

It should be pointed out that—in line with its Statutes (Law 96/2005)—Central Bank profits are exempt from general income tax. When the aforesaid are distributed, on the other hand, they are added onto Shareholders’ taxable income.

In order to facilitate consultation of the Balance Sheet, some significant indicators have been set out in the table below:

PROFITABILITY INDEX (%)	2007	2006
Gross contribution margin / Total assets	2.0%	2.0%
Ordinary operating margin / Total assets	0.8%	0.5%
Net profit / Net equity (ROE)	1.7%	1.7%
Net profit / Total assets	0.2%	0.2%
PRODUCTIVITY INDEX (% - euro)	2007	2006
Labour costs* / Gross contribution margin	47.50%	53.39%
Ordinary operating margin / Annual average: Human Resources**	64,464	38,236
Ordinary operating margin / Net equity	7.05%	4.27%

* Net of reimbursement costs for transferred personnel

** Personnel actually present at the Bank, as per the Human Resources Table (Annex no. 1, Appendix to the Notes).

Ladies and gentlemen,
 on behalf of the Governing Council, and in line with the Central Bank's commitment to equity consolidation, pursuant to the regulations set out in Article 23 of its Statutes, I propose the following provision of profits amounting to 875,106 euro:

	euro
To the Ordinary Reserve Fund	350,042
To the Extraordinary Reserve Fund	306,287
To Holding Bodies/Agencies	218,777

The net equity of the Central Bank, following approval of the Balance Sheet and the provision of profits, will be as follows:

	euro
Endowment Fund	12,911,425
Ordinary Reserve Fund	3,571,630
Extraordinary Reserve Fund	7,999,012
General Banking Risks Fund	26,896,730
Other Equity Reserves	86,963
Net Equity	51,465,760

Ladies and gentlemen,
 the above document constitutes the Governing Council's Report on 2007 Management, which was approved on 28 April 2008. On behalf of the Governing Council—pursuant to the relevant legislation in force, and following the reading of the Board of Auditor's report—I request your approval of the Balance Sheet and the Financial Statements as a whole, together with the allocation of profits proposed.

1.1 IMPORTANT EVENTS WHICH OCCURRED AFTER THE CLOSURE OF THE FINANCIAL YEAR

20 March 2008 was the expiry date of a Credit Default Swap having the nominal value of 5,000,000 euro; it had been purchased on 10 February 2003 and represents an expense of 27,882 euro in the current Balance Sheet.

As of 5 April 2008 the bank suretyship of 8,286,241 euro—issued on 17 July 2007 for San Marino's Azienda Autonoma di Stato per i Servizi Pubblici (Autonomous State-Owned Company for Public Services) towards the Italian Ministry for the Environment in Rome, as a guarantee of costs pertaining to the shipment of waste beyond borders—was returned.

As expressly set out by Law 129 dated 21 December 2007, the credit granted by the Central Bank to the Government of San Marino, pursuant to Legislative Decree 112 dated 15 October 2007—with the aim of partially covering the balance sheet deficit of the Banca del Titano (a commercial bank of San Marino)—was formalized on 25 April 2008. This was carried out by means of a 10-year mortgage contract stipulated between the Government and the Central Bank, for the sum of 10,296,422 euro.



2007
FINANCIAL STATEMENTS

Drawn up in compliance with Law n. 113 of 29 October 1999





BALANCE SHEET

ASSETS

	€		<i>figures in euro</i>	
	2007		2006	
1. CASH AND OTHER VALUABLES	1,036,174	1,036,174	1,400,086	1,400,086
2. INTER-BANK LOANS		74,368,290		37,640,715
a) sight credits	2,577,897		22,150,601	
b) other credits	71,790,393		15,490,114	
3. CUSTOMER LOANS	21,083,455	21,083,455	12,396,182	12,396,182
4. BONDS AND OTHER DEBT SECURITIES		345,286,120		306,746,155
a) issued by public bodies	4,979,908		0	
b) issued by banks	278,996,303		248,680,663	
c) issued by financial institutions	53,190,254		53,776,397	
d) issued by other bodies	8,119,655		4,289,095	
5. SHARES, QUOTAS AND OTHER CAPITAL SECURITIES	8,783,770	8,783,770	8,674,990	8,674,990
6. HOLDINGS	204,544	204,544	203,022	203,022
7. HOLDINGS IN GROUP BUSINESSES	0	0	0	0
8. INTANGIBLE FIXED ASSETS	49,915	49,915	95,449	95,449
9. TANGIBLE FIXED ASSETS (net of funds)		5,296,566		5,330,933
a) owned assets	5,296,566		5,330,933	
aa) electronic office devices	30,251		9,964	
ab) electric office machines	631		0	
ac) office furniture and furnishings	18,424		31,974	
ad) miscellaneous equipment	4,315		1,000	
ae) systems and fittings	15,619		19,580	
af) motor vehicles	14,472		0	
ag) premises	5,044,534		5,263,862	
ah) pluriennial costs for premises	168,320		4,553	
b) instalments	0		0	
10. OTHER ASSETS	1,535,085	1,535,085	1,523,947	1,523,947
<i>from rounding off in euro units</i>	1			
11. ACCRUED REVENUES AND DEFERRED EXPENSES		5,059,017		3,775,176
a) accrued revenues	4,877,959		3,689,287	
b) deferred expenses	171,058		85,889	
TOTAL ASSETS		462,702,936		377,786,655

BALANCE SHEET

LIABILITIES



figures in euro

	2007		2006	
1. DEBTS WITH BANKS	28,209,290		34,134,199	
a) sight debts	27,858,499		20,969,431	
b) term or notice debts	350,791		13,164,768	
2. DEBTS WITH CUSTOMERS	306,501,021		281,804,693	
a) sight debts	271,501,021		244,804,693	
b) term or notice debts	35,000,000		37,000,000	
3. DEBTS REPRESENTED BY SECURITIES	63,847,561		5,466,324	
a) bonds	0		0	
b) certificates of deposit	0		0	
c) other securities (repurchase agreements)	59,582,181		3,041,698	
d) cheques in circulation	4,265,380		2,424,626	
4. OTHER LIABILITIES	11,691,808	11,691,808	7,680,360	7,680,360
<i>from rounding off in euro units</i>	0		2	
5. ACCRUED EXPENSES AND DEFERRED REVENUES	467,848		178,728	
a) accrued expenses	436,595		177,430	
b) deferred revenues	31,253		1,298	
6. STAFF RETIREMENT ALLOWANCES	300,871	300,871	282,474	282,474
7. RISKS AND COSTS FUNDS	0		0	
a) retirement and similar costs fund	0		0	
b) tax fund	0		0	
c) other funds	0		0	
8. TAXED FUND FOR CREDIT RISKS	0	0	0	0
9. FUND FOR GENERAL BANKING RISKS	26,896,730	26,896,730	24,126,730	24,126,730
10. ENDOWMENT FUND	12,911,425	12,911,425	12,911,425	12,911,425
11. ISSUE PREMIUM	0	0	0	0
12. RESERVES	11,001,276		10,393,850	
a) ordinary reserves	3,221,588		2,898,439	
b) extraordinary reserves	7,692,725		7,409,970	
c) other reserves	86,963		85,441	
13. NET PROFIT	875,106		807,872	
TOTAL LIABILITIES	462,702,936		377,786,655	



figures in euro

GUARANTEES AND COMMITMENTS

	2007	2006
GUARANTEES ISSUED		
a) acceptances	0	0
b) other guarantees	8,287,240	999
GUARANTEES RECEIVED		
a) acceptances	0	0
b) other guarantees	31,407,419	44,156,018
COMMITMENTS		
a) sales with repurchase obligation	1,876,363	1,654,090
b) purchases with transfer obligation	0	0
c) foreign currencies and securities to be received	351,837	943,544
d) foreign currencies and securities to be delivered	351,685	843,131
e) other commitments	5,208,225	5,000,751
TOTAL COMMITMENTS AND RISKS	47,482,770	52,598,533

SUSPENCE ACCOUNTS

	2007	2006
ASSET MANAGEMENT	0	0
SECURITIES CUSTODY AND MANAGEMENT		
a) deposited third party securities	15,982,428	16,572,581
b) third party securities deposited with third parties	3,000	0
c) owned securities deposited with third parties	358,420,379	319,378,590
d) owned valuables in bank vault	140,893	138,925
OTHER OPERATIONS	81,564,808	36,325,222
TOTAL SUSPENCE ACCOUNTS	456,111,508	372,415,318

PROFIT AND LOSS ACCOUNT



figures in euro

	2007	2006
1. INTEREST RECEIVED AND PROCEEDS	15,287,137	10,683,105
a) on inter-bank loans	1,716,392	1,447,176
b) on customer loans	569,062	449,416
c) on Government securities and other bonds	13,001,683	8,786,513
2. INTEREST PAID AND COSTS	-6,794,245	-4,291,296
a) on debts with banks	-1,059,954	-864,623
b) on debts with customers	-5,658,731	-3,185,440
c) on debts represented by securities (repos)	-75,560	-241,233
d) differential settlement on hedging operations	0	0
3. DIVIDENDS AND OTHER PROCEEDS	0	0
a) on shares, quotas and other capital securities	0	0
b) on holdings	0	0
c) on holdings in group businesses	0	0
4. COMMISSIONS EARNED	3,023,936	2,770,677
5. COMMISSIONS PAID	-90,638	-83,201
6. PROFITS (LOSSES) FROM FINANCIAL OPERATIONS	-2,155,782	-1,531,218
7. OTHER OPERATING PROCEEDS	1,217,041	1,103,127
8. OTHER OPERATING COSTS	-28,814	-23,668
9. ADMINISTRATIVE COSTS	-6,412,860	-6,110,744
a) labour costs	-3,999,539	-3,686,848
aa) wages and salaries	-2,558,666	-2,377,477
ab) pension contributions	-686,131	-612,368
ac) retirement allowances	-305,228	-284,974
ad) severance indemnity-related costs	0	0
ae) other labour costs	-449,514	-412,029
b) other administrative costs	-2,413,321	-2,423,896
10. VALUE ADJUSTMENTS ON INTANGIBLE AND TANGIBLE FIXED ASSETS	-416,435	-463,868
11. PROVISIONS FOR RISKS AND COSTS	0	0
12. VALUE ADJUSTMENTS ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS	0	0
13. VALUE RECOVERIES ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS	0	0
14. PROVISIONS TO CREDIT RISKS FUNDS	0	0
15. VALUE ADJUSTMENTS ON FINANCIAL ASSETS	0	-5,836
16. VALUE RECOVERIES ON FINANCIAL ASSETS	0	0

	€	<i>figures in euro</i>
	2007	2006
17. PROFIT (LOSS) ON ORDINARY ACTIVITIES	3,629,340	2,047,078
18. EXTRAORDINARY PROCEEDS	29,005	291,521
<i>from rounding off in euro units</i>	0	1
19. EXTRAORDINARY COSTS	-13,239	-10,727
20. EXTRAORDINARY PROFIT (LOSS)	15,766	280,794
21. VARIATION TO THE GENERAL BANKING RISKS FUND	-2,770,000	-1,520,000
22. INCOME TAX FOR THE FINANCIAL YEAR	0	0
23. PROFIT (LOSS) FOR THE FINANCIAL YEAR	875,106	807,872

RECLASSIFIED PROFIT AND LOSS ACCOUNT



figures in euro

	2007	2006
1. INTEREST RECEIVED	2,285,454	1,896,592
1.1 FROM CUSTOMERS	569,062	449,416
1.2 FROM BANKS	1,716,392	1,447,176
1.2.1 CURRENT ACCOUNT AND SIGHT DEPOSITS	800,083	247,829
1.2.2 TERM DEPOSITS AND REPOS	889,062	1,175,634
1.2.3 OTHER INTERESTS	27,247	23,713
2. INTEREST ON SECURITIES	13,001,683	8,786,513
3. DIVIDENDS AND OTHER PROCEEDS	0	0
4. INTEREST PAID	-6,794,245	-4,291,295
4.1 TO CUSTOMERS	-5,734,291	-3,426,672
4.1.1 CURRENT ACCOUNT AND SIGHT DEPOSITS	-4,297,138	-2,533,040
4.1.2 TERM DEPOSITS AND REPOS	-1,437,153	-893,632
4.2 TO BANKS	-1,059,954	-864,623
4.3 OTHER INTERESTS AND COSTS	0	0
A. MONEY MANAGEMENT MARGIN	8,492,892	6,391,810
5. PROCEEDS FROM FINANCIAL OPERATIONS	780,726	631,209
6. FINANCIAL OPERATION COSTS	-2,936,508	-2,162,427
B. FINANCIAL MANAGEMENT MARGIN	6,337,110	4,860,592
7. OTHER OPERATING PROCEEDS	3,135,524	2,849,060
7.1 PROCEEDS FROM SECURITIES MANAGEMENT	24	0
7.2 PROCEEDS FROM FOREIGN CURRENCIES MANAGEMENT	0	0
7.3 OTHER PROCEEDS	3,135,500	2,849,060
8. OTHER OPERATING COSTS	-119,349	-106,816
8.1 SECURITIES MANAGEMENT COSTS	-74,015	-67,720
8.2 FOREIGN CURRENCIES MANAGEMENT COSTS	0	0
8.3 OTHER COSTS	-45,334	-39,096
C. GROSS CONTRIBUTION MARGIN	9,353,285	7,602,836
9. OTHER PROCEEDS	1,065,351	974,629
from rounding off in euro units	1	0
10. LABOUR COSTS	-3,959,436	-3,636,733
10.1 CLERICAL	-1,872,475	-1,753,995
10.2 MANAGEMENT AND OFFICERS	-686,191	-622,938
10.3 PENSION CONTRIBUTIONS	-686,131	-612,368
10.4 PROVISION TO RETIREMENT FUND	-305,228	-284,974
10.5 MISC. PERSONNEL COSTS	-449,514	-412,573
(minus PERSONNEL EXPENSES REIMBURSEMENTS)	40,103	50,115
11. DEPRECIATION AND PROVISIONS	-416,435	-463,868
12. OTHER COSTS	-2,413,425	-2,423,949

	€	
	2007	2006
D. ORDINARY OPERATING MARGIN	3,629,340	2,052,915
13. EXTRAORDINARY OPERATING PROCEEDS	250	65
14. EXTRAORDINARY OPERATING COSTS	0	-5,836
E. GROSS OPERATING MARGIN	3,629,590	2,047,144
15. WINDFALL PROCEEDS	28,755	291,455
16. WINDFALL COSTS	-13,239	-10,727
F. PRE-PROVISION PROFITS	3,645,106	2,327,872
17. PROVISION TO GENERAL BANKING RISKS FUND	-2,770,000	-1,520,000
18. USE OF MISCELLANEOUS FUNDS	0	0
G. PRE-TAX PROFITS	875,106	807,872
19. INCOME TAXES	0	0
H. NET PROFITS	875,106	807,872



NOTES TO THE FINANCIAL STATEMENTS





NOTES TO THE FINANCIAL STATEMENTS

STRUCTURE AND CONTENTS OF THE FINANCIAL STATEMENTS

Part A - Valuation Criteria

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

Part B - Information on the Balance Sheets

Section 1	- Credits
Section 2	- Securities
Section 3	- Holdings
Section 4	- Tangible and Intangible Fixed Assets, and Leasing
Section 5	- Other Assets
Section 6	- Debts
Section 7	- Funds
Section 8	- Capital, Reserves, the Fund for General Banking Risks
Section 9	- Other Liabilities
Section 10	- Guarantees and Commitments
Section 11	- Concentration and Distribution of Assets and Liabilities
Section 12	- Management and Intermediation for Third Parties

Part C - Information on the Profit and Loss Account

Section 1	- Interest
Section 2	- Commissions
Section 3	- Profits and Losses from Financial Operations
Section 4	- Administrative Costs
Section 5	- Adjustments, Recoveries and Provisions
Section 6	- Other Profit and Loss Items
Section 7	- Other Profit and Loss Information



STRUCTURE AND CONTENTS OF THE FINANCIAL STATEMENTS

The Balance Sheet and Financial Statements for 2007 have been drawn up in accordance with the laws currently in force (Law 96 dated 29 June 2005 – Statutes of the Central Bank of the Republic of San Marino, Law 165 dated 17 November 2005 – the Law on Companies and Banking, Financial and Insurance Services, and Law 47 dated 23 February 2006 – the Law on Corporations).

The Financial Statements, comprising the Balance Sheet, the Profit and Loss Account and the Notes thereto, are accompanied by the Governing Council Report on Management and the Board of Auditors Report.

Together the data and information contained in the single documents that make up the Financial Statements provide a true and correct account of the Central Bank's equity, financial and economic situation, in observation of the accounting principle of clarity.

The Notes to the Financial Statements contain added information to illustrate the balance sheet data that is not required by specific legislation or regulations, but that may aid the correct interpretation of the contents of that document.

The following annexes have been appended to the above-stated Notes:

- the Human Resources Schedule (annex 1);
- the Net Equity Changes Schedule (annex 2);
- the Statement of Financial Condition Schedule (annex 3).

To assist the comparison of the data herein, both in the Balance Sheet itself as well as in the Annexes contained in the Notes to the Financial Statements, the comparison of data with those from the preceeding year has been facilitated.

It should be pointed out that some of the items in the Notes to the Financial Statements have been represented according to their denomination in "Euro" and "Other Currencies"; all currencies different from the euro have been included in the latter category.

The sums for each item, shown in euro, have been obtained by rounding off the corresponding sum in decimals, or the sum of the rounded-off totals, where sub-items are concerned.

The differences deriving from this practice are to be considered extraneous to the Balance Sheet, and have been highlighted in the document itself among the "Other Assets/Liabilities", while in the Profit and Loss Account they appear under the "Extraordinary Proceeds/Costs" entry. The aforesaid is set out as per the general criteria existing for bank Financial Statements.

In observation of the laws currently in force regulating financial statements, the figures in the Notes have also been published in euro units.

Part A - Valuation criteria

SECTION 1 - ILLUSTRATION OF THE VALUATION CRITERIA

The 2007 Balance Sheets and Financial Statements as a whole have been drawn up in accordance with the general accounting principles of prudence, pertinence and continuity.

The valuation criteria are identical to those adopted last year.

CREDITS, GUARANTEES AND COMMITMENTS

- Inter-bank loans: these have been shown at nominal value, corresponding to their presumed monetary value.

- Customer loans: these have been shown in the balance sheet at their presumed market value, corresponding to their nominal value, including the quota of interest accrued and matured on the closure date of the balance sheet.

- Other loans: these have been shown at nominal value, corresponding to their presumed market

value.

- Guarantees and commitments: the guarantees issued and received have been registered at the value corresponding to the relative commitment undertaken or guaranteed. The securities and foreign currencies to be delivered and received have been entered according to their price at the end of the contract term agreed upon with the other party. The commitments to deliver funds to other parties and customers were entered according to the value agreed upon.

- Securities lending activities: these have been entered according to nominal value in both the "Inter-bank Loans" and the "Debts Represented by Securities"; this does not cause variations in the securities portfolio, given that the securities lent remain Central Bank property.

SECURITIES AND OFF-BALANCE-SHEET OPERATIONS

- Non-immobilised securities: given that the securities portfolio is entirely composed of non-immobilised securities it was valued following the criteria of choosing the lesser value of either: the purchase price, calculated by the LIFO method with annual increments, and the market value, calculated according to average prices from the month of December.

Given that these securities are almost exclusively non-listed (i.e. are not listed in regulated stock exchanges with considerable exchange volumes for those individual securities), the ICMA quotations have been used for their market value. Where the aforesaid were not available, the following were adopted:

- a) the quotations provided by market makers on the basis of the rate curves and the spread of benchmark securities having analogous characteristics;
- b) the quotations provided by market makers on the basis of the spread of benchmark securities with analogous characteristics;
- c) the quotations of securities having analogous characteristics.

The value of zero coupon bond securities includes the relative share of interest earned up to the date of the present balance sheet closure.

The shares and mutual fund quotas have been valued at the lower value between either their purchase price or their market price; the lower value on 31 December 2007 was considered the official price.

- Off-balance-sheet operations: as of 31 December 2007 a credit default swap exists which has been valued at its purchase price or its market value—whichever was lower on that date.

HOLDINGS

"Holdings", purchased for their stable investment characteristics, have been valued according to the net equity criteria illustrated in the Financial Statements last year.

The application of this valuation method for securities implies the attribution of a value equal to the corresponding quota of net equity of the company the shares of which have been bought.

The comparison between the quota of net equity and the accounting value of the holding gives rise to a positive or a negative difference, which – respectively - causes an increase or a decrease in the registered value of the holdings which have been invested in. In the case of an increase, this is added to a specific net equity reserve; on the other hand, if there is a decrease, it is entered on the Profit and Loss Account.

This year the value was positive for both Cestud s.p.a. as well as the company s.p.a. I.S.I.S.; consequently, the Central Bank registered an increase in the value of each holding, and a subsequent rise in their respective net equity reserves.

ASSETS AND LIABILITIES IN FOREIGN CURRENCY

The assets and liabilities denominated in foreign currencies have been shown in euro in the Financial Statements on their settlement date, reflecting the European Central Bank's exchange rate bulletin on the closure date of the current balance sheet.

TANGIBLE FIXED ASSETS

Tangible fixed assets have been entered at their purchase price, inclusive of any accessorial costs; during 2007 no value devaluations or re-evaluations were carried out. The cost of the assets is depreciated based on value percentages that reflect their presumed economic life according to the ordinary and accelerated depreciation rates set out by the fiscal legislation currently in force.

INTANGIBLE FIXED ASSETS

The intangible fixed assets have been entered at their purchase price, inclusive of accessorial costs; they have been depreciated at a constant rate, following the criteria adopted in previous balance sheets. The latter have set out an economic utility period no longer than five years, in observation of the current relevant fiscal legislation.

OTHER BALANCE SHEET ITEMS

- Debts: these have been valued at the residual capital value increased by the interest accrued as of the closure date of the balance sheet.

- Repurchase agreements: given that these oblige the transferee to resell on the maturation date, they are considered equivalent to contangoes, and therefore sums received or paid out are entered as debts and credits. The funding cost and the income deriving from the investment proceeds—made up of the coupons earned on securities and from the difference between their spot and forward price—are entered as interest.

- Accrued revenues and deferred expenses: this item includes the quotas of costs and proceeds which are common to two or more balance sheets, in observation of the required accounting principle of pertinence in temporal terms.

STAFF RETIREMENT ALLOWANCE FUND

This item illustrates the entire amount of the benefit substituting for the retirement allowance accrued during the year by dependent employees, pursuant to the legislation and labour contracts currently in force.

RISKS AND COSTS FUNDS

As in last year's Financial Statement, no tax fund amounts were entered in the "Tax Fund" given that the Central Bank Statutes set out that profits are exempt from general income tax. On the other hand, if distributed, profits are to be added onto Shareholders' taxable income.

As of the closure date of the present Financial Statements, no "Risks and costs funds" have been entered onto the Balance Sheet.

FUND FOR GENERAL BANKING RISKS

This fund has been set up to cover general business risks and, therefore, represents net equity. The amount of any variations thereto is entered under a specific item on the Profit and Loss Account.



NOTES TO THE FINANCIAL STATEMENTS



figures in euro

Part B - Information on the Balance Sheets

SECTION 1 - CREDITS

1.1 CASH AND OTHER VALUABLES (BREAKDOWN OF ITEM 1)

	2007	2006
cash and other valuables	1,036,174	1,400,086

The cash account is composed of banknotes and coins totalling 1,035,610 euro; of 200 U.S. dollars, the counter-value of which is 137 euro; of 290 Swiss francs, the counter-value of which is 175 euro; and of 185 British pounds sterling, the counter-value of which is 252 euro.

1.2 INTER-BANK LOANS (BREAKDOWN OF ITEM 2)

	2007	2006
inter-bank loans	74,368,290	37,640,715
- sight credits	2,577,897	22,150,601
- other credits	71,790,393	15,490,114

The sub-division of "inter-bank loans" in terms of the technical nature and currency of the items therein is the following:

	EURO		OTHER CURRENCIES		TOTAL	
	2007	2006	2007	2006	2007	2006
<i>sight credits</i>						
- current accounts	1,789,691	21,793,697	788,206	356,904	2,577,897	22,150,601
- other technical forms	0	0	0	0	0	0
<i>other credits</i>						
- term deposits	9,711,682	9,984,188	4,347,531	4,100,228	14,059,213	14,084,416
- securities lending	1,102,770	1,405,698	56,628,410	0	57,731,180	1,405,698
Total	12,604,143	33,183,583	61,764,147	4,457,132	74,368,290	37,640,715
<i>of which:</i>						
- with non-residents	12,604,143	13,718,300	61,764,147	4,457,130	74,368,290	18,175,430
- with residents	0	19,465,283	0	2	0	19,465,285

The positive variation in the "Other Credits" item during 2007 is due to the stipulation of a new securities lending contract in U.S. dollars in August 2007; the aforesaid is under the name "Clearstream Banking ASLPLUS". The "Accrued Interest" accrued and matured amounted to 46,313 euro; as in last year's balance sheet, this amount was entered under the "inter-bank loans" item.

1.3 CUSTOMER LOANS (BREAKDOWN OF ITEM 3)

	2007	2006
customer loans	21,083,455	12,396,182



figures in euro

The technical form and currency in the "customer loans" item may be broken down as follows:

	EURO		OTHER CURRENCIES		TOTAL	
	2007	2006	2007	2006	2007	2006
- current accounts	194,981	180,780	0	4	194,981	180,784
- mortgage loans	472,467	424,129	0	0	472,467	424,129
- other loans	9,933,237	11,791,269	0	0	9,933,237	11,791,269
- other credits	10,482,771	0	0	0	10,482,771	0
Total	21,083,455	12,396,178	0	4	21,083,455	12,396,182
<i>of which:</i>						
- granted to non-resident customers	18	10,502	0	4	18	10,506
- granted to resident customers	21,083,437	12,385,676	0	0	21,083,437	12,385,676

The "Customer Loans" item refers to credits granted, in the above-mentioned technical form, to the Public Administration and the dependent employees of the Central Bank.

The "Mortgage Loans" item includes the mortgages granted to diverse dependent employees of the Central Bank, while the "Other Loans" item encompasses two mortgages conceded to the Public Administration; one of these was granted on 2 January 2004 during the settlement of a leasing contract; on 31 December 2007 its residual value amounted to 895,241 euro. The second—which is guaranteed by real property—was transformed from a loan into a mortgage on 1 April 2005; on the 31 of December 2007, its residual value was 9,037,996 euro.

The "Other Loans" item is a loan which the Central Bank conceded to the San Marino Government, as per Legislative Decree 112 dated 15 October 2007, to partially cover the balance deficit of the Banca del Titano (a commercial bank of San Marino). As of 25 April 2008 that loan was formalised via the stipulation of a 10-year mortgage contract entitled to the San Marino Eccellentissima Camera (State) for the amount of 10,296,422 euro. The aforesaid figure corresponds to the mortgage, as has already been outlined in the "Important Events Which Occurred after the Closure of the Financial Year" section.

SECTION 2 - SECURITIES

Property securities appear on the Balance Sheet in the following manner:

2.1 BONDS AND OTHER DEBT SECURITIES (BREAKDOWN OF ITEM 4)

	2007	2006
bonds and other debt securities	345,286,120	306,746,155
- issued by public bodies	4,979,908	0
- issued by banks	278,996,303	248,680,663
- issued by financial institutions	53,190,254	53,776,397
- issued by other bodies	8,119,655	4,289,095

2.2 SHARES, QUOTAS AND OTHER CAPITAL SECURITIES (BREAKDOWN OF ITEM 5)

	2007	2006
shares, quotas and other capital securities	8,783,770	8,674,990



figures in euro

The Securities portfolio is entirely composed of non-immobilised assets reserved for trading and for treasury purposes. Its contents can be broken down as follows:

	balance sheet value		market value	
	2007	2006	2007	2006
1. <i>debt securities</i>	345,286,120	306,746,155	345,684,212	306,818,390
1.1 Government securities	0	0	0	0
1.2 other securities	345,286,120	306,746,155	345,684,212	306,818,390
2. <i>capital securities</i>	8,783,770	8,674,990	12,672,167	12,496,200

The "Capital Securities" entry is entirely composed of the value of the quotas of mutual investment funds held by the Central Bank.

The comparison between the market valuation and the balance sheet one, carried out according to the previously described criteria, points to a potential capital gain of 3,888,397 euro. As per the accounting principle of prudence, the latter figure was not entered onto the Balance Sheet.

The securities portfolio grew during 2007, compared to last year's Balance Sheet. This increment may mainly be attributed to the increase in the Public Administration funds deposited at the Central Bank, as well as the funds of the San Marino banks in centralized accounts.

The annual variations to the portfolio have been summarized in the following table:

	2007	2006
A. Initial balance	315,421,145	266,221,232
B. Increases	327,451,449	286,838,666
B.1 purchases	326,531,078	286,108,422
- debts securities	326,531,078	286,108,422
<i>Government securities</i>	0	0
<i>other securities</i>	326,531,078	286,108,422
- stocks and shares	0	0
B.2 value recoveries and revaluations	0	0
B.3 transfers from non-immobilised portfolio	0	0
B.4 other variations	920,371	730,243
C. Decreases	288,802,704	237,638,753
C.1 sales and refunds	285,866,195	235,476,326
- debts securities	285,866,195	235,476,326
<i>Government securities</i>	0	0
<i>other securities</i>	285,866,195	235,476,326
- capital securities	0	0
C.2 value adjustments	2,492,732	2,003,355
C.3 transfers from non-immobilised portfolio	0	0
C.4 other variations	443,776	159,071
D. Final balance	354,069,890	315,421,145

With reference to the above table, the following should be pointed out:

Item B.1: Purchases

these relate to:

- issue margins due as of the negotiation date on non-listed, fixed income securities for a total of 519,694 euro.



figures in euro

Item B.4: Other variations

these relate to:

- profits from securities negotiation for a total of 737,283 euro;
- issue margins amounting to 183,088 euro, for non-listed, fixed income securities from 2007.

Item C.1: Sales and refunds

these relate to:

- issue margins due as of the negotiation date on fixed-income, non-listed securities for a total of 234,057 and issue margins due as of the reimbursement date on fixed-income, non-listed securities for a total of 403,582 euro.

Item C.2: Value adjustments and devaluations

this concerns:

- The devaluation carried out on the securities as per the accounting principle of valuation, illustrated in Part A.

Item C.4: Other variations

this concerns:

- losses from securities negotiation.

SECTION 3 - HOLDINGS**3.1 HOLDINGS (BREAKDOWN OF ITEM 6)**

	2007	2006
holdings	204,544	203,022

The Central Bank has capital holdings in the company s.p.a. ISIS and in the company Cestud s.p.a., to the extent shown in the following chart:

Name and headquarters	Profits/Losses on 31/12/06	Net equity on 31/12/06	Quota %	Balance sheet value
main holdings				
- s.p.a. ISIS (San Marino)	33,280	321,637	48.91%	157,313
other holdings				
- Cestud s.p.a. (Roma)	7,633	714,538	6.61%	47,231

The amounts relative to the net equity and to the balance sheet figures of the firms in which share are held have been taken from the Financial Statements as a whole approved by those companies most recently.

It should be noted that "Profits/Losses on 31 December 2006" are included in the total net equity figure; this fact has been taken into account with the aim of determining the Balance Sheet value.

The annual variations in the holdings have been summarized in the following chart:

	2007	2006
A. Initial balance	203,022	208,594
B. Increases	1,522	264
B.1 purchases	0	0
B.2 value recoveries	0	0
B.3 revaluations	1,522	264
B.4 other variations	0	0
C. Decreases	0	5,836
C.1 sales	0	0
C.2 value adjustments	0	5,836
C.3 other variations	0	0



figures in euro

	2007	2006
D. Final balance	204,544	203,022
E. Total revaluations	86,963	85,441
F. Total adjustments	134,698	134,698

Regarding the above chart, it is important to note the following:

Item B.3: Revaluations

this includes the increase in the equity of Cestud s.p.a by 505 euro, and the increase in the equity of s.p.a ISIS by 1,017 euro, calculated on their 2006 Balance Sheets.

Item E.: Total revaluations

these relate to:

- annual revaluations of the holdings in Cestud s.p.a. for a total of 22,441 euro;
- annual revaluations of the holdings in s.p.a. ISIS for a total of 64,522 euro.

Item F.: Total adjustments

this includes annual devaluations of the holdings in s.p.a. ISIS for a total of 134,698 euro, carried out and accounted for in preceding Balance Sheets.

SECTION 4 - INTANGIBLE AND TANGIBLE FIXED ASSETS, AND LEASING

4.1 INTANGIBLE FIXED ASSETS (BREAKDOWN OF ITEM 8)

	2007	2006
intangible fixed assets	49,915	95,449

The following is the composition of the "intangible fixed assets":

Type of good	2007			2006		
	Original cost	Depreciation	Balance Sheet value	Original cost	Depreciation	Balance Sheet value
installation and extension costs	6,085	6,085	0	6,085	4,868	1,217
pluriennial costs on third party goods	198,906	198,906	0	198,906	196,785	2,121
softwares	3,538,083	3,488,418	49,665	3,482,954	3,391,343	91,611
concession patents/licenses/brands	1,250	1,000	250	1,250	750	500

Balance Sheet movements can be broken down as follows:

	2007	2006
A. Initial balance	95,449	230,934
B. Increases	55,129	38,738
B.1 purchases	55,129	38,738
B.2 value recoveries	0	0
B.3 revaluations	0	0
B.4 other variations	0	0
C. Decreases	100,663	174,223
C.1 sales	0	0
C.2 value adjustments	100,663	174,223
- depreciations	100,663	174,223
- lasting devaluations	0	0
C.3 other variations	0	0
D. Final balance	49,915	95,449



figures in euro

Item B.1: purchases

this relates to costs for the purchase of softwares for a total of 55,129 euro.

Item C.2: value adjustments

this includes the depreciation quotas for 2007 calculated according to the direct method.

4.2 TANGIBLE FIXED ASSETS (BREAKDOWN OF ITEM 9)

	2007	2006
tangible fixed assets	5,296,566	5,330,933
- owned assets	5,296,566	5,330,933

The following represent the values entered onto the balance sheet under "Tangible Fixed Assets":

Type of good	2007			2006		
	Original value	Depreciation fund	Balance Sheet value	Original value	Depreciation fund	Balance Sheet value
owned assets						
- operative premises	5,483,190	438,655	5,044,534	5,483,190	219,328	5,263,862
- pluriennial costs on premises	175,531	7,211	168,320	4,743	190	4,553
- office furnitures and furnishings	453,669	435,245	18,424	441,849	409,875	31,974
- systems and fittings	660,278	644,659	15,619	646,583	627,003	19,580
- electronic office devices	662,522	632,271	30,251	611,704	601,740	9,964
- misc. equipment	49,039	44,723	4,315	41,193	40,193	1,000
- motor vehicles	39,913	25,441	14,472	15,793	15,793	0
- electric machinery	10,770	10,138	631	9,717	9,717	0

The Balance Sheet movements can be summarized as follows:

	2007	2006
A. Initial balance	5,330,933	1,077,157
B. Increases	281,405	5,543,422
B.1 purchases	281,405	5,543,422
B.2 value recoveries	0	0
B.3 revaluations	0	0
B.4 other variations	0	0
C. Decreases	315,772	1,289,646
C.1 sales	0	0
C.2 value adjustments	315,772	289,646
- depreciations	315,772	289,646
- lasting devaluations	0	0
C.3 other variations	0	1,000,000
D. Final balance	5,296,566	5,330,933

With reference to the table above, the following are of note:

Item B.1: purchases

includes purchases of:

- office furnitures and furnishings totalling 11,820 euro;
- systems and fittings totalling 13,695 euro;
- motor vehicles totalling 24,119 euro;
- miscellaneous equipment totalling 7,846 euro;
- electronic devices totalling 52,085 euro;
- electric office machines totalling 1,052 euro;
- pluriennial costs for premises 170,788 euro;



figures in euro

Item C.2 : depreciations

the depreciations were calculated based on rates that take into account the residual product life of the assets, as well as current fiscal legislation.

SECTION 5 - OTHER ASSETS

5.1 OTHER ASSETS (BREAKDOWN OF ITEM 10)

	2007	2006
other assets	1,535,085	1,523,947

The detailed description of the "other assets" entry is the following:

	2007	2006
credit with the State:	9,039	8,000
- advances on General Income Tax	0	0
- higher taxes paid out for previous financial years	9,039	8,000
fees to be debited to:	7,718	6,007
- banks	7,718	6,007
- customers	0	0
c/a cheques drawn on other banks	490,792	205,964
other credit and miscellaneous items	1,027,536	1,303,976
Total	1,535,085	1,523,947

The "Other Credit and Miscellaneous Items" entry is made up of the credits relative to charges levied for supervision in 2007 (929,431 euro), which the supervised parties are obliged to reimburse to the Central Bank.

5.2 ACCRUED REVENUES AND DEFERRED EXPENSES (BREAKDOWN OF ITEM 11)

	2007	2006
accrued revenues and deferred expenses	5,059,017	3,775,176
- accrued revenues	4,887,959	3,689,287
- deferred expenses	171,058	85,889

The composition of this entry is the following:

	2007	2006
accrued revenues deriving from:	4,887,959	3,689,287
- interest on bank deposits	1,667	3,081
- interest on securities	4,864,423	3,658,194
- interest on loans	21,869	28,012
deferred expenses deriving from:	171,058	86,889
- insurance premiums	25,843	27,768
- other sources	145,215	59,121
Total	5,059,017	3,776,176

Among the "Other Deferred Expenses" are mainly the deferred values calculated on insurance, on-going labour contracts, and on instalment payments for service contracts.



figures in euro

SECTION 6 - DEBTS

6.1 DEBTS WITH BANKS (BREAKDOWN OF ITEM 1)

	2007	2006
debts with banks	28,209,290	34,134,199
- sight debts	27,858,499	20,969,431
- term or notice debts	350,791	13,164,768

The following is the breakdown of the "Debts with Banks" entry, organized according to technical form and currency:

	EURO		OTHER CURRENCIES		TOTAL	
	2007	2006	2007	2006	2007	2006
<i>sight debts</i>						
- current accounts	23,611,870	17,868,917	4,246,629	3,100,514	27,858,499	20,969,431
<i>term or notice debts</i>						
- time deposits	0	12,000,000	350,791	1,164,768	350,791	13,164,768
Total	23,611,870	29,868,917	4,597,421	4,265,282	28,209,290	34,134,199
<i>of which:</i>						
- with residents	23,092,212	17,868,642	3,873,074	4,265,282	26,965,285	22,133,924
- with non-residents	519,658	12,000,275	724,347	0	1,244,005	12,000,275

As in last year's Balance Sheets, the "Interest Paid to Banks" amounting to 220,971 euro, which was accrued and matured at the end of the Balance Sheet period, was entered under the "Debts with Banks" item.

6.2 DEBTS WITH CUSTOMERS (BREAKDOWN OF ITEM 2)

	2007	2006
debts with customers	306,501,021	281,804,693
- sight debts	271,501,021	244,804,693
- term or notice debts	35,000,000	37,000,000

"Term or notice debts" refers to the deposits opened for the Public Administration as a whole.

The technical form and currency of "Debts with Customers" can be sub-divided in the following manner:

	EURO		OTHER CURRENCIES		TOTAL	
	2007	2006	2007	2006	2007	2006
<i>sight debts</i>						
- current accounts	271,323,338	244,650,209	177,683	154,484	271,501,021	244,804,693
- time deposits	35,000,000	37,000,000	0	0	35,000,000	37,000,000
Total	306,323,338	281,650,209	177,683	154,484	306,501,021	281,804,693
<i>of which</i>						
- with residents	271,114,151	281,403,028	177,495	154,484	271,291,646	281,557,512
- with non-residents	209,187	247,181	188	0	209,375	247,181



figures in euro

6.3 DEBTS REPRESENTED BY SECURITIES (BREAKDOWN OF ITEM 3)

	2007	2006
debts represented by securities	63,847,561	5,466,324
- bonds	0	0
- certificates of deposit	0	0
- other securities	59,582,181	3,041,698
- cheques in circulation	4,265,380	2,424,626

"Other Securities" represents the debt existing on 31 December 2007 for financing repurchase agreement operations totalling 1,851,000 euro, and for securities lending totalling 57,731,181 euro; the latter operations do not create any variations in the securities portfolio of the Central Bank, in that the securities remain Central Bank property.

Under the "Cheques in Circulation" item are included the "Drawing and receipt" cheques issued by the Central Bank in the line of its Treasury Service duties.

SECTION 7 - FUNDS

7.1 STAFF RETIREMENT ALLOWANCES (BREAKDOWN OF ITEM 6)

	2007	2006
staff retirement allowances	300,871	282,474

This item reflects the benefit substituting for the retirement allowances accrued by dependent employees during the year.

The following are the variations seen during the Balance Sheet period:

	2007	2006
Balance on 1 January	282,474	234,045
Decreases		
- used to pay retirement allowances to staff	282,474	234,045
Increases		
- provision made for financial year	300,871	282,474
Balance on 31 December	300,871	282,474

Pursuant to the employment contract currently in force, the retirement allowances accrued during the 2006 Balance Sheet period were paid out in full to staff members by the 31 March 2007 deadline.

7.2 RISKS AND COSTS FUNDS (BREAKDOWN OF ITEM 7)

Tax fund:
the "Tax Fund" total on 31 December 2007 was zero given that, as established by the Statutes regulations, Central Bank profits are exempt from general income tax; if distributed they are—on the other hand—added onto Shareholders' taxable income.
Therefore, no variations were registered for 2007.

7.3 FUND FOR RISKS ON TAXED CREDITS (BREAKDOWN OF ITEM 8)

This has not been addressed, given that no values exist for the item.



figures in euro

SECTION 8 - CAPITAL, RESERVES, THE FUND FOR GENERAL BANKING RISKS

8.1 FUND FOR GENERAL BANKING RISKS (BREAKDOWN OF ITEM 9)

	2007	2006
fund for general banking risks	26,896,730	24,126,730

The Fund changed as follows during the Balance Sheet period:

	2007	2006
Balance on 1 January	24,126,730	22,606,730
Decreases	0	0
- use of fund	0	0
Increases	2,770,000	1,520,000
- provision made for the financial year	2,770,000	1,520,000
Balance on 31 December	26,896,730	24,126,730

During 2007 Central Bank equity was further consolidated by the provision to the Fund for General Banking Risks totalling 2,770,000 euro, in keeping with the policy adopted in past Balance Sheets.

8.2 ENDOWMENT FUND (BREAKDOWN OF ITEM 10)

	2007	2006
endowment fund	12,911,425	12,911,425

Pursuant to Article 20 of the Central Bank Statutes, the "Endowment Fund" is subdivided into nominative and indivisible participation quotas amounting to 5,164.57 euro each. The possessory title of the participation quotas may be broken down in the following manner:

70% the Republic of San Marino State;
 14% "Cassa di Risparmio della Repubblica di San Marino s.p.a";
 6% "Banca di San Marino s.p.a";
 5% "Banca Agricola Commerciale della Repubblica di San Marino s.a";
 5% "Credito Industriale Sammarinese s.p.a".

8.3 ISSUE PREMIUM (BREAKDOWN OF ITEM 11)

This has not been addressed, given that no values exist for the item.

8.4 RESERVES (BREAKDOWN OF ITEM 12)

	2007	2006
reserves	11,001,276	10,393,850
- ordinary reserves	3,221,588	2,898,439
- extraordinary reserves	7,692,725	7,409,970
- other reserves	86,963	85,441

As established by Article 23 of Central Bank Statutes, the Shareholders Meeting is obliged to vote on the distribution of profits; at least 40% of the amount should go to the Ordinary reserve, and a minimum of 25% to the equity-holding institutions listed above. Any sums remaining thereafter will be assigned to an extraordinary fund, and to the foundation or integration of various Funds that make up the Central Bank's equity.

8.5 NET PROFIT (BREAKDOWN OF ITEM 13)

	2007	2006
net profit	875,106	807,872

The annual variations in the net profit may be viewed by consulting the relative table (annex 2).



figures in euro

SECTION 9 - OTHER LIABILITIES

9.1 OTHER LIABILITIES (BREAKDOWN OF ITEM 4)

	2007	2006
other liabilities	11,691,808	7,680,360

The following is a detailed description of this entry:

	2007	2006
debts for supplies, services	374,104	310,042
debts with the State:	508,524	329,488
- direct taxes to be paid as withholding agent	505,719	328,437
- indirect taxes	2,805	1,051
debts for fees paid to Governing Council Members and Statutory Auditors	112,369	114,486
debts with ISS and FSS	130,393	118,255
invoices to be received	151,510	152,937
debts with employees	765,862	660,234
sums at disposal of third parties:	9,558,884	5,888,775
- customers	9,556,843	5,887,919
- banks	2,041	856
other debts and miscellaneous items	90,162	106,143
<i>Rounded-off sums due to balance sheet in euro units</i>	0	2
Total	11,691,808	7,680,360

"Sums at the Disposal of Third Parties" refers almost exclusively to Treasury receipts which—due to the time required for processing procedures—had yet to be credited to their relative current accounts.

As in the Balance Sheets last year, the accrued and matured "Interest Paid to Banks" was entered under the "Debts with Banks" item.

The entry "Other Debts and Miscellaneous Items" is almost exclusively composed of 2007 consultancy fees that will be paid out in the next fiscal year, as well as by the valuation which is carried out on the credit default swap at the closure of each Balance Sheet.

9.2 ACCRUED EXPENSES AND DEFERRED REVENUES (BREAKDOWN OF ITEM 5)

	2007	2006
accrued expenses and deferred revenues	467,848	178,728
- accrued expenses	436,595	177,430
- deferred revenues	31,253	1,298

The breakdown of this item is as follows:

	2007	2006
accrued expenses on:	436,595	177,430
- interest from bank deposits	1,999	5,891
- interest on customer deposits	420,424	162,129
- interest on repurchase agreements	13,331	8,570
- interest from credit derivatives	840	840
deferred revenues on:	31,253	1,298
- miscellaneous expenses recoveries	31,253	1,298
Total	467,848	178,728



figures in euro

SECTION 10 - GUARANTEES AND COMMITMENTS

10.1 GUARANTEES ISSUED AND RECEIVED

	2007	2006
guarantees issued	8,287,240	999
guarantees received	31,407,419	44,156,018

Under the item "Guarantees issued" are a bank suretyship issued on behalf of the Public Administration towards the Ministry of Transport and Navigation in Rome (999 euro) and a bank suretyship granted on behalf of the Azienda Autonoma di Stato per i Servizi Pubblici (San Marino's Autonomous Public Services Corporation) towards the Ministry of the Environment in Rome (8,286,241 euro).

Under the item "Guarantees received" are included the guarantees received in order to face collections extensions, which the Esattoria (Overdue Tax Collection Department) grants according to documents relating to the collection system and the Mano Regia procedures carried out pursuant to Article 6 of Legislative Decree 39 dated 24 March 2004. The forms of guarantee for the extensions are sub-divided into bank suretyships, savings books, bills of exchange and real estate mortgages.

Furthermore, "Guarantees Received" contains are the restraints on the content of the accounts belonging to the Eccellen-tissima Camera (State) and the Azienda Autonoma di Stato per i Servizi Pubblici.

10.2 COMMITMENTS

	2007	2006
sales with repurchase obligation	1,876,363	1,654,090
purchases with transfer obligation	0	0
foreign currencies and securities to be received	351,837	943,544
foreign currencies and securities to be delivered	351,685	843,131
other commitments	5,208,225	5,000,751
Total	7,788,110	8,441,516

The item "Sales with Repurchase Obligation" refers to the repurchase operations registered as of 31 December 2007, entered at their final swap value, net of withholding taxes and expenses.

Under the "Other Commitments" entry is the credit default swap entered at its nominal value of 5,000,000 euro, the maturity date of which was 20 March 2008. Its "fair value", corresponding to the market value (365 euro) was registered for accounting purposes among "Other Liabilities", as already specified in section 9.1.

SECTION 11 - CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

11.1 DISTRIBUTION OF CREDIT WITH CUSTOMERS, DIVIDED ACCORDING TO DEBTOR CATEGORIES

This section has not been addressed, given that no values exist for the item.

11.2 TERRITORIAL DISTRIBUTION OF ASSETS AND LIABILITIES

This section has not been addressed, given that no values exist for the item.

11.3 TIME DISTRIBUTION OF ASSETS AND LIABILITIES

This section has not been addressed, given that no values exist for the item.

11.4 ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

This section has not been addressed, given that no values exist for the item.



figures in euro

SECTION 12 - MANAGEMENT AND INTERMEDIATION FOR THIRD PARTIES

12.1 ASSET MANAGEMENT

This section has not been addressed, given that no values exist for the item.

12.2 SECURITIES CUSTODY AND MANAGEMENT

This section has not been addressed, given that no values exist for the item.

12.3 OTHER OPERATIONS

	2007	2006
asset management	0	0
custody and management of securities	374,546,700	336,026,095
other operations	81,564,808	36,325,222
Total	456,111,508	372,351,317

The following is the breakdown of the "Custody and management of securities" entry:

Deposited third party securities	15,985,428
third party securities in vault:	
- securities and savings books deposited for customers	353,017
- finance bills issued by the Republic of San Marino in favour of the IMF and the World Bank	14,388,762
- bills of exchange	941
- bonds, shares and similar securities	1,239,708
Third party securities deposited with third parties	3,000
Owned securities deposited with third parties	358,420,379
- bonds and similar securities	345,684,212
- owned mutual fund quotas deposited with third parties	12,669,557
- shares	66,610
Owned securities deposited in vault	140,893
- shares	140,893
Total	374,546,700

The "Third Party Securities Deposited with Third Parties" entry includes the amounts relative to the securities purchases and sales carried out by Central Bank employees; this arrangement has been in place since March 2007.

The breakdown of the "Other Operations" entry is:

- ruoli IGR (tax rolls): being collected	10,928,693
- Mano Regia: being collected	4,558,394
- ruoli Esattoria (Overdue Tax Coll. Dept. rolls): being collected	65,728,938
- third party goods deposited w/Third Parties	348,784
Total	81,564,808

"Other operations" refer to:

- Public Administration credits registered according to the respective rolls being exercised by the competent Public offices; the Central Bank looks after the encashment of the aforesaid pursuant to Articles 52 and subsequent and in fulfilment of Legislative Decree 91 dated 13 October 1984;
- taxes, duties, sanctions and every other source of revenue for which the State, the Public Bodies and Autonomous Authorities empower the Central Bank to collect, pursuant to Law 70 of 25 May 2004 and subsequent changes;
- goods garnished by the Esattoria (Overdue Tax Collection Department) and deposited with third parties while their sale by auction is pending, pursuant to Article 70 and subsequent to Law 70/2004).



figures in euro

Part C - Information on the Profit and Loss Account

SECTION 1 - INTEREST

1.1 INTEREST RECEIVED AND PROCEEDS (BREAKDOWN OF ITEM 1)

	2007	2006
interest received and proceeds	15,287,137	10,683,105
"Interest received and proceeds" were accrued on:		
	2007	2006
a) inter-bank loans	1,716,392	1,447,176
of which: credit in foreign currencies	439,780	474,315
b) customer loans	569,062	449,416
of which: credit in foreign currencies	13	10
c) Government securities and bonds	13,001,683	8,786,513
of which: securities and bonds in foreign curr.	0	0
Total	15,287,137	10,683,105

The positive variation in the "Interest Received and Proceeds coming from Government and other securities and bonds" was due to the increased availability of funds in current customers' and banks' accounts, as well as to increases in interest rates.

1.2 INTEREST PAID AND COSTS (BREAKDOWN OF ITEM 2)

	2007	2006
interest paid and costs	6,794,245	4,291,296
"Interest Paid and Costs" refers to the following liability items:		
	2007	2006
a) debts with banks	1,059,954	864,623
of which: debts in foreign currencies	274,171	368,973
b) debts with customers	5,658,731	3,185,440
of which: debts in foreign currencies	10,366	3,687
c) debts represented by securities (repurchase agr.mt)	75,560	241,233
of which: repos on securities in foreign curr.	0	0
Total	6,794,245	4,291,296

The positive variation in "Interest Paid and Costs" can be attributed to increased deposits in the centralized accounts of San Marino banks, to the higher liquidity available in the Public Administration's current accounts, and to interest rate increases.

SECTION 2 - COMMISSIONS

2.1 COMMISSIONS EARNED (BREAKDOWN OF ITEM 4)

	2007	2006
commissions earned	3,023,936	2,770,677



figures in euro

"Commissions earned" refers to:

	2007	2006
a) management, brokerage and consultancy services	24	0
1) negotiation of securities	24	0
2) custody and management of securities	0	0
b) collection and payment services	3,021,624	2,768,091
c) other services	2,288	2,586
Total	3,023,936	2,770,677

Under the item "Collection and Payment Services" are registered profits stemming from the provision of services to the Public Administration as a whole, on the basis of the three-year agreement signed on 15 March 2006; these amounted to 3,000,000 euro in 2007.

2.2 COMMISSIONS PAID (BREAKDOWN OF ITEM 5)

	2007	2006
commissions paid	90,638	83,201
"Commissions paid" refers to:		
	2007	2006
a) credit derivatives	27,882	27,882
b) management and brokerage services	46,133	39,838
1) negotiation of securities	0	0
2) custody and management of securities	46,133	39,838
c) collection and payment services	5,027	4,148
d) other services	11,597	11,333
Total	90,638	83,201

SECTION 3 - PROFITS AND LOSSES FROM FINANCIAL OPERATIONS

3.1 PROFITS AND LOSSES FROM FINANCIAL OPERATIONS (BREAKDOWN OF ITEM 6)

	2007	2006
losses from financial operations	2,155,782	1,531,218

The movements within this entry can be summarised as follows:

	Securities transactions 2007	Foreign currencies transactions 2007	Total 2007
A.1 revaluations	0	0	0
A.2 devaluations	-2,492,732		-2,492,732
B. other profits/losses	322,702	14,248	336,950
Total	-2,170,029	14,248	-2,155,782
1. Government bonds	0		
2. other debt securities	-2,170,029		
3. shares	0		



figures in euro

Item A.2: Devaluations

this represents the value of the capital loss due to securities negotiation existing on 31 December 2007.

Item B.: Other profits/losses

this item refers to the profits and losses due to securities negotiation, including those reimbursed at maturity. It also shows the profits deriving from foreign currencies transactions.

SECTION 4 - ADMINISTRATIVE COSTS**4.1 ADMINISTRATIVE COSTS (BREAKDOWN OF ITEM 9)**

	2007	2006
administrative costs	6,412,860	6,110,744

The following is the breakdown of the "Administrative Costs" item:

	2007	2006
a) labour costs	3,999,539	3,686,848
- wages and salaries	2,558,666	2,376,933
- pension contributions	686,131	612,368
- retirement allowances	305,228	284,974
- other labour costs	405,476	351,315
- training and professional update courses	44,038	61,258
b) other administrative costs	2,413,321	2,423,896
- graphic art agencies and advertising	104,454	19,122
- insurance	59,181	44,570
- miscellaneous utilities and cleaning of premises	113,638	101,721
- forms, stationary, newspapers and publications	126,935	110,113
- postal expenses, telephone and telex expenses	141,426	127,875
- expendables and spares	8,793	12,947
- payments to Gov. Council Members and Statutory Auditors	112,369	114,486
- professional consultancy	477,010	532,900
- reimbursement: personnel/consultant travel expenses	155,903	161,454
- rentals, technical assistance, repairs, misc. expenses	983,047	1,085,331
- association membership and similar fees	18,219	17,261
- rents paid	732	8,546
- donations	55,866	35,303
- miscellaneous	55,749	52,266
Total	6,412,860	6,110,744

"Labour Costs" includes expenses for employees who are on leave or have been temporarily transferred. The relative reimbursement for a total of 39,940 euro is listed under item 7 of the Profit and Loss Account, among "Other Operating Proceeds".

"Other Labour Costs" reflects staff production premiums, payments for employee holidays due but not taken as of 31 December 2007, and overtime arrears payments. For further data on Central Bank staff may be gained by consultation of the Human Resources Schedule (annex 1 to the Financial Statements).

The "donations" item is entirely composed of donations made towards the Central Bank Foundation.



figures in euro

SECTION 5 - ADJUSTMENTS, RECOVERIES AND PROVISIONS

5.1 VALUE ADJUSTMENTS ON INTANGIBLE AND TANGIBLE FIXED ASSETS (BREAKDOWN OF ITEM 10)

	2007	2006
value adjustment on intangible and tangible fixed assets	416,435	463,868

The "Value Adjustments on Intangible and Tangible Fixed Assets" item is composed in the following manner:

	2007	2006
tangible fixed assets	315,772	289,646
- premises	226,349	219,517
- furnitures, machines and utility systems, misc equip.mnts, vehicles	89,423	70,129
intangible fixed assets	100,663	174,223
- pluriennial costs	2,121	10,022
- installation and extension costs	1,217	1,217
- concession of patents, brands and rights	250	250
- softwares	97,075	162,733
Total	416,435	463,868

5.2 PROVISIONS FOR RISKS AND COSTS (BREAKDOWN OF ITEM 11)

This section has not been addressed, given that no values exist for the item.

5.3 VALUE ADJUSTMENTS ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS (BREAKDOWN OF ITEM 12)

This section has not been addressed, given that no values exist for the item.

5.4 VALUE RECOVERIES ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS (BREAKDOWN OF ITEM 13)

This section has not been addressed, given that no values exist for the item.

5.5 PROVISIONS TO CREDIT RISKS FUNDS (BREAKDOWN OF ITEM 14)

This section has not been addressed, given that no values exist for the item.

5.6 VALUE ADJUSTMENTS ON FINANCIAL ASSETS (BREAKDOWN OF ITEM 15)

	2007	2006
value adjustments on financial assets	0	5,836

5.7 VALUE RECOVERIES ON FINANCIAL ASSETS (BREAKDOWN OF ITEM 16)

This section has not been addressed, given that no values exist for the item.



figures in euro

SECTION 6 - OTHER PROFIT AND LOSS ACCOUNT ITEMS

6.1 DIVIDENDS AND OTHER PROCEEDS (BREAKDOWN OF ITEM 3)

During the 2007 Balance Sheet period the companies s.p.a. ISIS e Cestud s.p.a did not pay out any dividends.

6.2 OTHER OPERATING PROCEEDS (BREAKDOWN OF ITEM 7)

	2007	2006
other operating proceeds	1,217,041	1,103,127

"Other operating proceeds" can be broken down as follows:

	2007	2006
- rents received	22,571	25,529
- accounting expenses	5,918	3,551
- recovery of personnel expenses	39,940	49,925
- miscellaneous reimbursements	189,023	163,716
- recovery of charges levied from supervised parties	929,431	833,592
- credit notes and allowances	1,990	1,499
- proceeds from Overdue Tax Collection services	28,168	25,315
Total	1,217,041	1,103,127

"Proceeds from Overdue Tax Collection services" refers to the revenue deriving from executory actions and from dues paid on delays.

"Recovery of Charges Levied from Supervised Parties" refers to costs to be recuperated in connection to the 2007 Balance Sheet period; the total was communicated to supervised parties by 31 March 2007, pursuant to Law 117 dated 6 November 2006.

In the entry "Miscellaneous Reimbursements", beyond the usual recovery of bank commission costs, were reimbursements relative to membership fees for the RIS (the San Marino Interbank Network), reimbursements relative to costs sustained for the organisation of the Meeting regarding Law 165/2005, for reimbursements received from the Council of Europe and the International Monetary Fund for the participation of several Central Bank representatives and employees at the related meetings, and the partial reimbursement received from the Social Services Fund for professional training expenses for personnel.

6.3 OTHER OPERATING COSTS (BREAKDOWN OF ITEM 8)

	2007	2006
other operating costs	28,814	23,668

"Other Operating Costs" refers to miscellaneous bank costs and miscellaneous liability round-offs.

6.4 EXTRAORDINARY PROCEEDS (BREAKDOWN OF ITEM 18)

	2007	2006
extraordinary proceeds	29,005	291,521
of which: rounding-off due to publishing Financial Statements in euro units	0	1

"Extraordinary Proceeds" includes a capital gain of 250 euro received upon the termination of a completely depreciated income source, while the remaining part reflects miscellaneous windfall assets and off-balance-sheet round offs.

6.5 EXTRAORDINARY COSTS (BREAKDOWN OF ITEM 19)

	2007	2006
extraordinary costs	13,239	10,727

"Extraordinary Costs" refers to miscellaneous contingent liabilities.



figures in euro

SECTION 7 - OTHER PROFIT AND LOSS ACCOUNT INFORMATION

7.1 THE TERRITORIAL DISTRIBUTION OF PROCEEDS

The Central Bank has its Headquarters and agency in the Republic of San Marino alone; therefore the territorial distribution of proceeds is not a pertinent item.



APPENDIX TO THE NOTES



Appendix to the Notes

Annex 1

HUMAN RESOURCES SCHEDULE

Dependent employees ⁽¹⁾: SHOWN ACCORDING TO HIERARCHY

	2007	2006	2005	2004
SENIOR OFFICERS	0.0%	0.0%	0.0%	0.0%
OFFICERS	15.4%	12.9%	10.3%	10.7%
FRONT OFFICE MGRS/CLERKS	81.5%	82.3%	86.2%	85.7%
SUPPORT STAFF	3.1%	4.8%	3.5%	3.6%
	100.0%	100.0%	100.0%	100.0%

Dependent employees: VARIATIONS

	2007	2006	2005	2004
TOTAL PERSONNEL ⁽¹⁾ at the start of the year:	62	59	56	52
- HIRING	4	6	4	6
- TERMINATIONS	1	3	1	2
TOTAL PERSONNEL ⁽¹⁾ at the end of the year:	65	62	59	56
of which having fixed-term contracts	3	3	3	4
ANNUAL VARIATION	5%	5%	5%	8%
REAL AVERAGE RESOURCES ⁽²⁾	56.3	53.7	47.6	46.4

(1) Does not include the Director General and External Inspectors

(2) Includes the Director General and the External Inspectors as well. Takes into account hiring and resignation dates, long-term absences (leaves, transfers, maternity leave) and part-time employees.

Average end-of-month figures.



figures in euro

Annex 2

NET EQUITY CHANGES SCHEDULE

Annual net equity changes

	Endowment fund	Ordinary reserve fund	Extra-ordinary reserve fund	Other reserves	Fund for general banking risks	Profits to be allocated	TOTAL EQUITY
Balances on 31/12/2006	12,911,425	2,898,439	7,409,970	85,441	24,126,730	807,872	48,239,877
2006 profit provisions:							
- to the ordinary reserve fund		323,149				-323,149	
- to the extraordinary reserve fund			282,755			-282,755	
- to other reserves				1,522			1,522
- unavailable reserves							
- to shareholders						-201,968	-201,968
Provisions on 2007 Financial Statements					2,770,000		2,770,000
2007 profits to be allocated						875,106	875,106
Balances on 31/12/2007	12,911,425	3,221,588	7,692,725	86,963	26,896,730	875,106	51,684,537



figures in euro

Annex 3
2007 STATEMENT OF FINANCIAL CONDITIONS

Funds generated and collected	2007
Funds deriving from operations	
Profit for the financial year	875,106
Provisions to the Fund for General Banking Risks	2,770,000
Provisions to Staff Retirement Fund	300,871
Value adjustments on fixed assets	416,435
	4,362,412
Increases in the funds collected	
Other liabilities	4,011,448
Debts with customers	24,696,328
Debts represented by securities (repos and certificates of deposit)	58,381,237
Other variations	0
Accrued expenses and deferred revenues	289,120
	87,378,133
Decreases in the funds used	
Other assets	0
Shares, quotas and other capital securities	0
Cash and available funds	363,912
Intangible fixed assets	0
Tangible fixed assets	0
Accrued revenues and deferred expenses	0
Inter-bank loans	0
Bonds and other debt securities	0
Customer loans	0
Holdings	0
	363,912
Total funds generated and collected	92,104,457



figures in euro

Annex 3
2007 STATEMENT OF FINANCIAL CONDITIONS

Funds used and spent	2007
Value recoveries and use of funds deriving from operations	
Value recoveries	0
Utilisation of other funds	0
Dividends paid out	201,968
Other reserves (unavailable reserve)	-1,522
Utilisation of Staff Retirement funds	282,474
	482,920
Increases in funds spent	
Other assets	11,138
Other variations	0
Inter-bank loans	36,727,575
Customer loans	8,687,273
Intangible fixed assets	55,129
Tangible fixed assets	281,405
Shares, quotas and other capital securities	108,780
Bonds and other debt Securities	38,539,965
Holdings	1,522
Accrued revenues and deferred expenses	1,283,841
	85,696,628
Decreases in funds collected	
Other liabilities	0
Debts with banks	5,924,909
Debts with customers	0
Debts represented by securities	0
Accrued expenses and deferred revenues	0
	5,924,909
Total funds used and spent	92,104,457



BOARD OF AUDITORS REPORT
ON THE BALANCE SHEETS
CLOSED ON 31 DECEMBER 2007





Dear Shareholders,

The proposed Financial Statements, closed on 31 December 2007, which the Governing Council has submitted for your examination and approval, are made up of the Balance Sheets, the Profit and Loss Account, the Governing Council Report and the Notes thereto. This document illustrates trends and operating performance of, and furthermore indicates the financial position of, the Central Bank of the Republic of San Marino, revealing the decisional criteria applied to determine balance sheet profits, as well as the accounting principles adopted for the closure of the Statements.

The Balance Sheets were drawn up with clarity, and represent the equity position, the financial state and the economic performance of the financial statements period in a true and accurate manner; they were furthermore organised pursuant to the laws currently in force.

The Board of Auditors has furthermore taken into consideration the Independent Auditor's report published on 29 April 2008, the conclusions of which stated:

“ In our professional opinion, on 31 December 2007 the Financial Statements of the Central Bank of the Republic of San Marino were in line with the legislation that currently regulates their content; they have been presented with clarity, and accurately and correctly represent the Bank's net equity and financial situation. They have therefore portrayed the Central Bank's general economic status in a true manner.”

The amounts determined for assets and liabilities have been observed following the general criteria of pertinence and prudence, especially given the Bank's commitment to consolidating its equity.

The General Banking Risks Fund on the closure date of 31 December 2007 totalled 26,896,730 euro, showing a rise of 2,770,000 euro with respect to the last year's Balance Sheets.

The Balance Sheets which closed on 31 December 2007, published in euro units after the execution of the rounding-off procedures foreseen by the law, closed with a profit of 875,106 euro, as shown in the balance sheet tables below:



figures in euro

BALANCE SHEET	
ASSETS	462,702,936
LIABILITIES	437,915,129
ENDOWMENT FUND	12,911,425
RESERVES	11,001,276
PROFIT FOR THE FINANCIAL YEAR	875,106
GUARANTEES AND COMMITMENTS	
GUARANTEES ISSUED	8,287,240
GUARANTEES RECEIVED	31,407,419
COMMITMENTS	7,788,110
SAFE CUSTODY AND MANAGEMENT SECURITIES	
DEPOSITED THIRD-PARTY SECURITIES	15,982,428
THIRD-PARTY SECURITIES DEPOSITED WITH THIRD PARTIES	3,000
OWNED SECURITIES DEPOSITED WITH THIRD PARTIES	358,420,379
OWNED VALUABLES IN BANK VAULT	140,893
OTHER OPERATIONS	81,564,808
SUSPENSE ACCOUNTS TOTAL	456,111,508
RECLASSIFIED PROFIT AND LOSS ACCOUNT	
MONEY MANAGEMENT MARGIN	8,492,892
PROCEEDS FROM FINANCIAL OPERATIONS	780,726
FINANCIAL OPERATION COSTS	-2,936,508
OTHER OPERATING PROCEEDS	3,135,524
OTHER OPERATING COSTS	-119,349
OTHER PROCEEDS	1,065,351
LABOUR COSTS	-3,959,436
DEPRECIATION AND PROVISIONS	-416,435
OTHER COSTS	-2,413,425
EXTRAORDINARY OPERATING PROCEEDS	250
EXTRAORDINARY OPERATING COSTS	0
WINDFALL PROCEEDS	28,775
WINDFALL COSTS	-13,239
PROVISIONS TO MISCELLANEOUS FUNDS	2,770,000
USE OF MISCELLANEOUS FUNDS	0
PRE-TAX PROFITS	875,106
INCOME TAXES	0
NET PROFITS	875,106

The valuation of the balance sheets was carried out respecting the criteria adopted for last year's financial statements, allowing cross-comparison of the data therein.

The Board of Auditors retains that the contents of the Notes to the Financial Statements are complete and supply all the details relating to the breakdown of the individual balance sheet and income elements.

The provision of profits, as has already been outlined in the Governing Council Report on the Financial Statements, complies with the Central Bank Statutes requirements.

The Board of Auditors would like to express its sincere thanks to the Directorate General and to the Officers whose assistance facilitated the activities connected with the verification procedures that were periodically carried out.

"Based on the above-mentioned factors, it is our opinion that the Financial Statements closed on 31 December 2007 constitute a precise representation of the equity/financial position of the Central Bank of the Republic of San Marino, and we therefore invite the Shareholders Meeting to approve these documents in the version proposed by the Governing Council".

San Marino, 5 May 2008

The Board of Auditors
Bianchini Alessandro
Tumietto Massimo
Zafferani Guido



INDEPENDENT AUDITOR'S REPORT





INDEPENDENT AUDITOR'S REPORT

To the shareholders of the Central Bank of the Republic of San Marino
A publicly and privately owned entity having private legal status.

1. We have audited the Financial Statements of the Central Bank of the Republic of San Marino as of 31 December 2007; the Governing Council members of that Institution are responsible for the content therein. It is the responsibility of our firm to express a professional opinion regarding the Financial Statements based on our accounting audit.
2. The audit was performed in accordance with the generally accepted Auditing Procedures currently in force in Italy, and pursuant to Republic of San Marino legislation regulating financial statements. Accordingly, the audit was organised and carried out to the end of gathering all information necessary to ascertain whether the financial statements contain any material misstatements or significant errors and if they are, overall, reliable. The auditing procedure included the examination, carried out on the basis of sample checks, of the probatory elements connected with the balances, and the information contained in the balance sheet, as well as an evaluation of the adequacy and accuracy of the accounting criteria applied. The extent to which the estimates carried out by the Governing Council members are reasonable was furthermore checked. We believe that the examination conducted provides a sufficient basis for the expression of our professional opinion.

Regarding the opinion expressed about the previous year's Financial Statements, the data from which have been included-pursuant to the laws in force-for comparison purposes, reference is made to the report made by another independent auditor's firm on 27 April 2007.

3. In our professional opinion, on 31 December 2007 the Financial Statements of the Central Bank of the Republic of San Marino were in line with the legislation that currently regulates their content; they have been presented with clarity, and accurately and correctly represent the Bank's net equity and financial situation. They have therefore portrayed the Central Bank's general economic status in a true manner.
4. As provided by the legislation currently in force, the Profit and Loss Account for the 2007 financial year includes provisions amounting to 2,770 thousand euro to the Fund for General Banking Risks, in that it is equivalent to net equity and reinforces the Central Bank's equity position.

DELOITTE & TOUCHE S.r.l.



Carlo Beciani
Manager

San Marino, 29 April 2008

Ended to print
August 2008

Fotolito: Olimpia Visual Plan - R.S.M.

**BANCA
CENTRALE**



**DELLA REPUBBLICA
DI SAN MARINO**
www.besm.sm