

BILANCIO D'ESERCIZIO
ANNUAL REPORT

2008





2008

ANNUAL REPORT



BANCA CENTRALE DELLA REPUBBLICA DI SAN MARINO

Publicly and privately owned entity

Cod. Op. Ec. SM04262 - Endowment fund euro 12,911,425.00

Registered office - Via del Voltone, 120 - 47890 San Marino - Republic of San Marino

tel. 0549 882325 - fax 0549 882328

country code: (+) 378 swift code: icmsmsm

www.bcsmsm



CONTENTS	
GOVERNING BODIES OF THE CENTRAL BANK OF THE REPUBLIC OF SAN MARINO	pag. 71
GOVERNING COUNCIL REPORT ON 2008 MANAGEMENT.....	pag. 73
Important events which occurred after the closure of the financial year	pag. 77
2008 FINANCIAL STATEMENTS	
Balance Sheet Assets	pag. 81
Balance Sheet Liabilities	pag. 82
Guarantees and Commitments / Suspence Accounts	pag. 83
Profit and Loss Account	pag. 84
Reclassified Profit and Loss Account	pag. 86
NOTES TO THE FINANCIAL STATEMENTS	
Structure and contents of the Financial Statements	pag. 91
Part A - Valuation criteria	pag. 92
Part B - Information on the Balance Sheets	pag. 95
Part C - Information on the Profit and Loss Account	pag. 109
APPENDIX TO THE NOTES	
Annex 1: Human Resources Schedule	pag. 116
Annex 2: Net Equity Changes Schedule	pag. 117
Annex 3: Statement of Financial Condition Schedule	pag. 118
BOARD OF AUDITORS REPORT ON THE BALANCE SHEETS CLOSED ON 31 DECEMBER 2008	pag. 121
INDEPENDENT AUDITOR'S REPORT	pag. 127



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

GOVERNING COUNCIL

Bossone Biagio	Chairman
Bugli Nazzareno	Vice Chairman
Berardi Orietta	Member
Bizzocchi Stefano	Member
Mularoni Marco	Member
Simoncini Aldo	Member

BOARD OF AUDITORS

Lonfernini Irene	Chairman
Francioni 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
Cherubini Patrizio Ettore	Internal Inspector
Murtas Luciano	Internal Inspector

* on 29 May 2009



GOVERNING COUNCIL REPORT
ON 2008 MANAGEMENT



Dear Shareholders,

the following are the main data and economic-equity indicators pertaining to 2008 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 463 to 528 million euro. The “Debts with Customers” entry increased from 307 to 383 million euro, and “Debts with Banks” also increased from 28 to 75 million euro.

The “Debts Represented by Securities” entry underwent a considerable decrease from 64 million to 6 million euro (it should be noted that, in the last balance sheet, 60 million represented 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 2008 increased from 52 to 53 million euro. The aforesaid increment reflects the Bank’s firm commitment to consolidating its equity.

The main “Assets” entry “Bonds and Other Debt Securities”, increased from 345 to 419 million euro; the traditional accounting criteria of high credit quality and low financial investment risk were strictly observed, despite the uncertainty and the high volatility that characterised the last phase of the 2008 balance sheet period.

To the latter item should be added, as financial investments, the “Inter-bank Loans”, which equalled to 63 million euro, compared to the preceding financial report, when the same entry amounted to 74 million euro.

The “Customer Loans” item decreased from 21 to 18 million euro.

The value of the “Holdings” reflects a slight increase, rising from 204,544 to 254,682 euro; it should be noted that concerning the company ISIS S.p.A., for which the Central Bank has capital holdings, the net equity was revaluated on the basis of its 2008 balance sheets, while for the company Cestud S.p.A., for which holdings are also possessed, it was necessary to completely devalue said holdings in the net equity section, on the basis of the 2007 balance sheet data.

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

	2008	2007	variations	
			absolute	%
Balance Sheet totals	527,718,816	462,702,936	65,015,880	14.1
Inter-bank loans	63,217,866	74,368,290	-11,150,424	-15.0
Customer loans	18,080,996	21,083,455	-3,002,459	-14.2
Bonds and other debt securities	419,288,677	345,286,120	74,002,557	21.4
Shares, quotas, other capital stocks	2,973,674	8,783,770	-5,810,096	-66.1
Holdings	254,682	204,544	50,138	24.5
Debts with banks	74,995,167	28,209,290	46,785,877	165.9
Debts with customers	382,920,621	306,501,021	76,419,600	24.9
Debts represented by securities	6,310,517	63,847,561	-57,537,044	-90.1
Total Net Equity*	53,460,473	51,684,537	1,775,936	3.4

* 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 29.9% compared to the previous year’s Financial Statements; contributing to this change was – above all – the “Interest on Securities” item.

The year 2008 was characterised by a strong upswing in rates, given the worsening of the financial markets crisis and, in particular, to the “credit crunch” that pushed the Euribor 3-month rate above 5% until October 2008; subsequently it fell rapidly due to the concerted efforts of the Central Banks. The Euribor 3-month rate influenced the fluctuations in the investment coupons in variable-rate securities.

Furthermore, the increase was caused by the larger share of portfolios invested in securities, following the increase in funds from clients 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” decreased by 22.8%, despite the fact that prudent investment criteria were observed at all times.

The “Gross Contribution Margin” fell by 15.3%. The “Other Proceeds” item, which is mainly composed by the recovery of supervisory fees and by the recovery of fees for the supply of cash, increased by 44%.

The “Ordinary Operating Margin” decreased by 46.4%.

Due to the widening of the scope of Central Bank functions, it was necessary to increase the number of employees, which in turn led to a rise in labour costs and relative expenses. In percentage terms, labour costs increased by 14.6%. Although the depreciation value was less than 7.4% compared to the previous year’s Financial Statements, general administrative expenses increased by 7.3%.

Among the positive entries, it should be remembered that “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 2008, the Central Bank sustained direct and indirect costs totalling 2,044,583 euro, it was decided that the supervised parties would be charged for 1,048,150 euro, amounting to a 12.8% increase compared to the 2007 balance sheet period. The Central Bank therefore sustained costs equalling 996,433 euro.

During the 2008 balance sheet period under “Extraordinary operating costs” was registered the total devaluation of the holdings in Cestud S.p.A., amounting to 47,231 euro; no amounts were entered among the Extraordinary Operating Proceeds. The Gross Operating Margin therefore equalled 1,898,084 euro, with a decrease compared to the preceding Financial Statements of 47.7% (3,629,590 euro).

Pre-provision Profits (1,897,344 euro) were 48% lower than in 2007; following the provision to the “General Banking Risks Fund” totalling 1,000,000 euro, with the aim of increasing the Bank’s equity. Net Profits amounted to 897,344 euro. The foresaid figure represents a 2.5% increase compared to last year. It should be pointed out that—in line with its Statutes (Law 96/2005 and subsequent amendments)—Central Bank profits are exempt from general income tax, while they are added onto shareholders’ taxable income once distributed.

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

PROFITABILITY INDEX (%)	2008	2007
Gross contribution margin / Total assets	1.5%	2.0%
Ordinary operating margin / Total assets	0.4%	0.8%
Net profit / Net equity (ROE)	1.7%	1.7%
Net profit / Total assets	0.2%	0.2%

PRODUCTIVITY INDEX (% - euro)	2008	2007
Labour costs* / Gross contribution margin	64.5%	47.5%
Ordinary operating margin / Annual average: Human Resources**	31,849	64,464
Ordinary operating margin / Net equity	3.6%	7.1%

* Net of reimbursement costs for transferred personnel

** Personnel actually present at the Bank, as per the Human Resources Schedule (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 897,344 euro:

	euro
To the Ordinary Reserve Fund	358,938
To the Extraordinary Reserve Fund	314,070
To Holding Bodies/Agencies	224,336

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

	euro
Endowment Fund	12,911,425
Ordinary Reserve Fund	3,930,567
Extraordinary Reserve Fund	8,313,082
General Banking Risks Fund	27,896,730
Other Equity Reserves	184,333
Net Equity	53,236,137

Ladies and gentlemen,
the above document constitutes the Governing Council's Report on 2008 Management, which was approved by that body on 5 May 2009. On behalf of the Governing Council—pursuant to the relevant legislation in force, and following the reading of the Board of Auditors report—I request your approval, as shareholders, of the Balance Sheets 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

On 24 November 2008 the activities of the Financial Intelligence Agency were launched, as per Article 3 of Law 92 of 17 June 2008 and Executive Order 135 of 31 October 2008, ratified with Executive Order 146 of 28 November 2008. 2009 will therefore be the first year in which the Central Bank will be responsible for guaranteeing that the Financial Intelligence Agency possesses all resources necessary to prevent and strenuously oppose money laundering and the financing of terrorism; the Agency will operate in a fully autonomous and independent manner.

With San Marino Parliament Resolution 12 of 19 March 2009 the new Chairman of the Central Bank, Mr. Biagio Bossone, was nominated; he took office during the Parliamentary session convened on 2 April 2009. The term for this office lasts 5 years and a Central Bank Chairman may only be re-elected once.



2008
FINANCIAL STATEMENTS

Drawn up in compliance with Law 113 of 29 October 1999



BALANCE SHEET

ASSETS

	€		<i>figures in euro</i>	
	2008		2007	
1. CASH AND OTHER VALUABLES	9,801,452	9,801,452	1,036,174	1,036,174
2. INTER-BANK LOANS		63,217,866		74,368,290
a) sight credits	8,675,963		2,577,897	
b) other credits	54,541,903		71,790,393	
3. CUSTOMER LOANS	18,080,996	18,080,996	21,083,455	21,083,455
4. BONDS AND OTHER DEBT SECURITIES		419,288,677		345,286,120
a) issued by public bodies	75,262,721		4,979,908	
b) issued by banks	271,620,504		278,996,303	
c) issued by financial institutions	48,555,958		53,190,254	
d) issued by other bodies	23,849,494		8,119,655	
5. SHARES, QUOTAS AND OTHER CAPITAL SECURITIES	2,973,674	2,973,674	8,783,770	8,783,770
6. HOLDINGS	254,682	254,682	204,544	204,544
7. HOLDINGS IN GROUP BUSINESSES	0	0	0	0
8. INTANGIBLE FIXED ASSETS	45,724	45,724	49,915	49,915
9. TANGIBLE FIXED ASSETS (net of funds)		5,933,445		5,296,566
a) owned assets	5,933,445		5,296,566	
aa) electronic office devices	41,270		30,251	
ab) electric office machines	421		631	
ac) office furniture and furnishings	175,844		18,424	
ad) miscellaneous equipment	3,269		4,315	
ae) systems and fittings	82,147		15,619	
af) motor vehicles	9,648		14,472	
ag) real property	4,825,207		5,044,534	
ah) pluriennial costs for real property	789,339		168,320	
ai) other owned property	6,300		0	
10. OTHER ASSETS	1,802,044	1,802,044	1,535,085	1,535,085
<i>from rounding off in euro units</i>	0		1	
11. ACCRUED REVENUES AND DEFERRED EXPENSES		6,320,256		5,059,017
a) accrued revenues	6,232,269		4,887,959	
b) deferred expenses	87,987		171,058	
TOTAL ASSETS		527,718,816		462,702,936

BALANCE SHEET

LIABILITIES



figures in euro

	2008		2007	
1. DEBTS WITH BANKS	74,995,167		28,209,290	
a) sight debts	74,995,167		27,858,499	
b) term or notice debts	0		350,791	
2. DEBTS WITH CUSTOMERS	382,920,621		306,501,021	
a) sight debts	334,692,124		271,501,021	
b) term or notice debts	48,228,497		35,000,000	
3. DEBTS REPRESENTED BY SECURITIES	6,310,517		63,847,561	
a) bonds	0		0	
b) certificates of deposit	0		0	
c) other securities (repurchase agreements)	2,733,000		59,582,181	
d) cheques in circulation	3,577,517		4,265,380	
4. OTHER LIABILITIES	8,933,745	8,933,745	11,691,808	11,691,808
<i>from rounding off in euro units</i>	1		0	
5. ACCRUED EXPENSES AND DEFERRED REVENUES	745,472		467,848	
a) accrued expenses	741,687		436,595	
b) deferred revenues	3,785		31,253	
6. STAFF RETIREMENT ALLOWANCES	352,821	352,821	300,871	300,871
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	27,896,730	27,896,730	26,896,730	26,896,730
10. ENDOWMENT FUND	12,911,425	12,911,425	12,911,425	12,911,425
11. ISSUE PREMIUM	0	0	0	0
12. RESERVES	11,754,974		11,001,276	
a) ordinary reserves	3,571,629		3,221,588	
b) extraordinary reserves	7,999,012		7,692,725	
c) other reserves	184,333		86,963	
13. NET PROFIT	897,344		875,106	
TOTAL LIABILITIES	527,718,816		462,702,936	



figures in euro

GUARANTEES AND COMMITMENTS

	2008	2007
GUARANTEES ISSUED		
a) acceptances	0	0
b) other guarantees	9,048,976	8,287,240
GUARANTEES RECEIVED		
a) acceptances	0	0
b) other guarantees	35,581,189	31,407,419
COMMITMENTS		
a) sales with repurchase obligation	2,778,606	1,876,363
b) purchases with transfer obligation	0	0
c) foreign currencies and securities to be received	0	351,837
d) foreign currencies and securities to be delivered	0	351,685
e) other commitments	417,134	5,208,225
TOTAL COMMITMENTS AND RISKS	47,825,904	47,482,770

SUSPENSE ACCOUNTS

	2008	2007
ASSET MANAGEMENT	0	0
SECURITIES CUSTODY AND MANAGEMENT		
a) deposited third party securities	15,008,387	15,982,428
b) third party securities deposited with third parties	2,875,294	3,000
c) owned securities deposited with third parties	425,238,524	358,420,379
d) owned valuables in bank vault	140,893	140,893
OTHER OPERATIONS	88,479,309	81,564,808
TOTAL SUSPENSE ACCOUNTS	531,742,407	456,111,508

PROFIT AND LOSS ACCOUNT



figures in euro

	2008	2007
1. INTEREST RECEIVED AND PROCEEDS	20,698,414	15,287,137
a) on inter-bank loans	1,955,796	1,716,392
b) on customer loans	1,008,546	569,062
c) on Government securities and other bonds	17,734,072	13,001,683
2. INTEREST PAID AND COSTS	-9,669,810	-6,794,245
a) on debts with banks	-1,973,886	-1,059,954
b) on debts with customers	-7,587,613	-5,658,731
c) on debts represented by securities (repos)	-108,311	-75,560
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	3,033,125	3,023,936
5. COMMISSIONS PAID	-73,083	-90,638
6. PROFITS (LOSSES) FROM FINANCIAL OPERATIONS	-6,134,025	-2,155,782
7. OTHER OPERATING PROCEEDS	1,698,375	1,217,041
8. OTHER OPERATING COSTS	-35,120	-28,814
9. ADMINISTRATIVE COSTS	-7,186,756	-6,412,860
a) labour costs	-4,597,438	-3,999,539
aa) wages and salaries	-2,923,240	-2,558,666
ab) pension contributions	-832,424	-686,131
ac) retirement allowances	-352,821	-305,228
ad) severance indemnity-related costs	0	0
ae) other labour costs	-488,953	-449,514
b) other administrative costs	-2,589,318	-2,413,321
10. VALUE ADJUSTMENTS ON INTANGIBLE AND TANGIBLE FIXED ASSETS	-385,803	-416,435
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	-47,231	0
16. VALUE RECOVERIES ON FINANCIAL ASSETS	0	0

	€	<i>figures in euro</i>
	2008	2007
17. PROFIT (LOSS) ON ORDINARY ACTIVITIES	1,898,086	3,629,340
18. EXTRAORDINARY PROCEEDS	10,792	29,005
19. EXTRAORDINARY COSTS	-11,534	-13,239
<i>from rounding off in euro units</i>	2	0
20. EXTRAORDINARY PROFIT (LOSS)	-742	15,766
21. VARIATION TO THE GENERAL BANKING RISKS FUND	-1,000,000	-2,770,000
22. INCOME TAX FOR THE FINANCIAL YEAR	0	0
23. PROFIT (LOSS) FOR THE FINANCIAL YEAR	897,344	875,106

RECLASSIFIED PROFIT AND LOSS ACCOUNT



figures in euro

	2008	2007
1. INTEREST RECEIVED	2,964,342	2,285,454
1.1 FROM CUSTOMERS	1,008,546	569,062
1.2 FROM BANKS	1,955,796	1,716,392
1.2.1 CURRENT ACCOUNT AND SIGHT DEPOSITS	400,293	800,083
1.2.2 TERM DEPOSITS AND REPOS	1,465,676	889,062
1.2.3 OTHER INTERESTS	89,827	27,247
2. INTEREST ON SECURITIES	17,734,072	13,001,683
3. DIVIDENDS AND OTHER PROCEEDS	0	0
4. INTEREST PAID	-9,669,810	-6,794,245
4.1 TO CUSTOMERS	-7,695,924	-5,734,291
4.1.1 CURRENT ACCOUNT AND SIGHT DEPOSITS	-5,659,288	-4,297,138
4.1.2 TERM DEPOSITS AND REPOS	-2,036,636	-1,437,153
4.2 TO BANKS	-1,973,886	-1,059,954
4.3 OTHER INTERESTS AND COSTS	0	0
A. MONEY MANAGEMENT MARGIN	10,028,604	8,492,892
5. PROCEEDS FROM FINANCIAL OPERATIONS	6,561,826	780,726
6. FINANCIAL OPERATION COSTS	-12,695,851	-2,936,508
B. FINANCIAL MANAGEMENT MARGIN	4,894,579	6,337,110
7. OTHER OPERATING PROCEEDS	3,137,382	3,135,524
7.1 PROCEEDS FROM SECURITIES MANAGEMENT	4	24
7.2 PROCEEDS FROM FOREIGN CURRENCIES MANAGEMENT	0	0
7.3 OTHER PROCEEDS	3,137,378	3,135,500
8. OTHER OPERATING COSTS	-108,154	-119,349
8.1 SECURITIES MANAGEMENT COSTS	-58,787	-74,015
8.2 FOREIGN CURRENCIES MANAGEMENT COSTS	0	0
8.3 OTHER COSTS	-49,367	-45,334
C. GROSS CONTRIBUTION MARGIN	7,923,807	9,353,285
9. OTHER PROCEEDS	1,534,378	1,065,351
from rounding off in euro units	0	1
10. LABOUR COSTS	-4,537,699	-3,959,436
10.1 CLERICAL	-1,997,534	-1,872,475
10.2 MANAGEMENT AND OFFICERS	-925,706	-686,191
10.3 PENSION CONTRIBUTIONS	-832,424	-686,131
10.4 PROVISION TO RETIREMENT FUND	-352,821	-305,228
10.5 MISC. PERSONNEL COSTS	-488,953	-449,514
(minus PERSONNEL EXPENSES REIMBURSEMENTS)	59,739	40,103
11. DEPRECIATION AND PROVISIONS	-385,803	-416,435
12. OTHER COSTS	-2,589,368	-2,413,425
from rounding off in euro units	2	0

	€	<i>figures in euro</i>
	2008	2007
D. ORDINARY MANAGEMENT MARGIN	1,945,315	3,629,340
13. EXTRAORDINARY OPERATING PROCEEDS	0	250
14. EXTRAORDINARY OPERATING COSTS	-47,231	0
E. GROSS OPERATING MARGIN	1,898,084	3,629,590
15. WINDFALL PROCEEDS	10,792	28,755
16. WINDFALL COSTS	-11,532	-13,239
F. PRE-PROVISION PROFITS	1,897,344	3,645,106
17. PROVISION TO THE GENERAL BANKING RISKS FUND	-1,000,000	-2,770,000
18. USE OF MISCELLANEOUS FUNDS	0	0
G. PRE-TAX PROFITS	897,344	875,106
19. INCOME TAXES	0	0
H. NET PROFITS	897,344	875,106



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 of 29 June 2005 – Statutes of the Central Bank of the Republic of San Marino, Law 165 of 17 November 2005 – the Law on Companies and Banking, Financial and Insurance Services, Law 47 of 23 February 2006 – and 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 information to illustrate the balance sheet data that goes beyond specific legislative requirements or regulations. However, it is hoped that the aforesaid will assist readers' correct interpretation of the contents of that document.

The following annexes have been appended to the Notes:

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

To allow easier comparison of the Financial Statements data, both in the Balance Sheets as well as in the Tables contained in the Notes, the figures therein have been arranged so as to compare the current year's figures with those from the preceding Statements.

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, that is, by 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 2008 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 received/delivered have been entered according to the price contractually 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

- Investment securities: given that the securities portfolio is entirely composed of investment 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 the securities are almost exclusively not listed on regulated markets with significant exchange volumes for the single security, the market value applied was the Xtrakter limited quotations provided by Bloomberg. Where the aforesaid were not available, the following solution was 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 2008 was considered the official price.

- Off-balance-sheet operations: on 31 December 2008 no default swaps existed. The only credit default swap existing on 31 December 2007 expired in March 2008.

HOLDINGS

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

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 the company S.p.A. I.S.I.S., therefore the Central Bank registered an increase in the value of that holding, and a subsequent rise in its respective net equity reserves.

On the other hand the holding in the company Cestud S.p.A was entirely devalued due to its balance sheet status on 31 December 2007. Following that date, on 9 January 2009, Cestud’s Shareholders Assembly deliberated to begin the company dissolution procedure.

ASSETS AND LIABILITIES IN FOREIGN CURRENCY

The assets and liabilities denominated in foreign currencies have been shown in euro in the Financial Statements, 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 2008 no value devaluations or re-evaluations were carried out.

The cost of the fixed assets is depreciated based on 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 the financial statements from previous years. The latter have set out an economic utility period no longer than five years, in line with 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 temporal pertinence.

EMPLOYEE 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 into 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 amounts have been entered onto the Balance Sheet for the "Risks and costs funds".

FUND FOR GENERAL BANKING RISKS

This fund has been set up to cover general business risks and, therefore, is part of 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)

	2008	2007
cash and other valuables	9,801,452	1,036,174

The cash account is composed of banknotes and coins totalling 9,801,241 euro; of 290 Swiss francs having a counter-value of 195 euro; and of 15 British pounds sterling, with a counter-value of 16 euro. The high amount of "cash and other valuables" registered on 31st December 2008 was due to the presence of cash in euro required by the San Marino banking system.

1.2 INTER-BANK LOANS (BREAKDOWN OF ITEM 2)

	2008	2007
inter-bank loans	63,217,866	74,368,290
- sight credits	8,675,963	2,577,897
- other credits	54,541,903	71,790,393

The "inter-bank loans" can be broken down in terms of the technical nature and currency of the items therein as follows:

	EURO		OTHER CURRENCIES		TOTAL	
	2008	2007	2008	2007	2008	2007
<i>sight credits</i>						
- current accounts	8,434,206	1,789,691	241,757	788,206	8,675,963	2,577,897
- other technical forms	0	0	0	0	0	0
<i>other credits</i>						
- term deposits	54,541,903	9,711,682	0	4,347,531	54,541,903	14,059,213
- securities lending	0	1,102,770	0	56,628,410	0	57,731,180
Total	62,976,109	12,604,143	241,757	61,764,147	63,217,866	74,368,290
<i>of which:</i>						
- with non-residents	62,976,109	12,604,143	241,757	61,764,147	63,217,866	74,368,290
- with residents	0	0	0	0	0	0

The variation in the "Other Credits" item during 2008 is due to the suspension of the securities lending contract. The "Accrued Interest" accrued and matured amounted to 122,921 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)

	2008	2007
customer loans	18,080,996	21,083,455



figures in euro

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

	EURO		OTHER CURRENCIES		TOTAL	
	2008	2007	2008	2007	2008	2007
- current accounts	161,395	194,981	0	0	161,395	194,981
- mortgage loans	599,992	472,467	0	0	599,992	472,467
- other mortgages	17,319,609	9,933,237	0	0	17,319,609	9,933,237
- other credits	0	10,482,771	0	0	0	10,482,771
Total	18,080,996	21,083,455	0	0	18,080,996	21,083,455
<i>of which:</i>						
- granted to non-resident customers	0	18	0	0	0	18
- granted to resident customers	18,080,996	21,083,438	0	0	18,080,996	21,083,438

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

The "Mortgage Loans" item includes the mortgages granted to diverse dependent employees of the Central Bank, while the "Other Mortgages" item encompasses three 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 2008 its residual value amounted to 305,976 euro. The second—which is guaranteed by real property—was transformed from a loan into a mortgage on 1 April 2005 and on 31 December its residual value amounted to 7,746,853 euro. The third mortgage concerns the financing that the Central Bank conceded to the Public Administration, in observation of Legislative Decree 112 of 15 October 2007, to partially cover the balance deficit of the S.M. International Bank S.p.A. (the former Banca del Titano), guaranteed by the availability of funds in a current account entitled to the San Marino Ecc.ma Camera (State) for the amount of 10,296,422 euro. The aforesaid figure corresponded to the amount of the mortgage; on the 31 December 2008 its residual value was 9,266,780 euro.

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)

	2008	2007
bonds and other debt securities	419,288,677	345,286,120
- issued by public bodies	75,262,721	4,979,908
- issued by banks	271,620,504	278,996,303
- issued by financial institutions	48,555,958	53,190,254
- issued by other bodies	23,849,494	8,119,655

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

	2008	2007
shares, quotas and other capital securities	2,973,674	8,783,770



figures in euro

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

	Balance Sheet value		market value	
	2008	2007	2008	2007
1. <i>debt securities</i>	419,288,677	345,286,120	421,910,063	345,684,212
1.1 Government securities	0	0	0	0
1.2 other securities	419,288,677	345,286,120	421,910,063	345,684,212
2. <i>capital securities</i>	2,973,674	8,783,770	3,264,461	12,672,167

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 2,912,173 euro. As per the accounting principle of prudence, the latter figure was not entered onto the Balance Sheet.

The securities portfolio grew during 2008 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. In October 2008 all the quotas of the "Titano Fund Obligations" were sold off, generating a total profit of 3,243,555 euro. Furthermore it is necessary to note that, due to the serious crisis in the financial markets at the end of 2008, it was not possible to sell the "Kaupthing Bank" bond, the nominal value equalling 1,000,000 euro. This security has, however, been valued whilst adhering to reasonably prudent criteria.

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

	2008	2007
A. Initial balance	354,069,890	315,421,145
B. Increases	853,327,474	327,451,449
B.1 purchases	846,462,884	326,531,078
- debts securities	846,462,884	326,531,078
<i>Government securities</i>	0	0
<i>other securities</i>	846,462,884	326,531,078
- capital securities	0	0
B.2 value recoveries and revaluations	0	0
B.3 transfers from investment portfolio	0	0
B.4 other variations	6,864,591	920,371
C. Decreases	785,135,013	288,802,704
C.1 sales and refunds	772,439,162	285,866,195
- debts securities	772,439,162	285,866,195
<i>Government securities</i>	0	0
<i>other securities</i>	772,439,162	285,866,195
- capital securities	0	0
C.2 value adjustments	8,860,415	2,492,732
C.3 transfers from investment portfolio	0	0
C.4 other variations	3,835,436	443,776
D. Final balance	422,262,351	354,069,890



figures in euro

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 3,738,091 euro.

Item B.4: Other variations

these relate to:

- profits from securities negotiation for a total of 6,536,992 euro;
- issue margins amounting to 327,599 euro, for non-listed, fixed income securities from 2008.

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 1,445,803 and issue margins due as of the negotiation date on fixed-income, non-listed securities for a total of 708,706 euro.

Item C.2: Value adjustments and devaluations

these relate to:

- the devaluation carried out on the securities as per the valuation principles outlined in Part A.

Item C.4: Other variations

this concerns:

- the losses from securities negotiation.

SECTION 3 - HOLDINGS

3.1 HOLDINGS (BREAKDOWN OF ITEM 6)

	2008	2007
holdings	254,682	204,544

The Central Bank has capital holdings in the companies S.p.A. ISIS and Cestud S.p.A., to the extent illustrated in the chart below:

Name and headquarters	Profits/Losses on 31/12/08	Net equity on 31/12/08	Quota %	Balance Sheet value
main holdings				
- S.p.A. ISIS (San Marino)	122,016	520,716	48.91	254,682
other holdings				
- Cestud S.p.A. (Roma)	-870,654	-156,116	6.61	0

The amounts relative to the net equity and to the balance sheet figures of the firms in which shares are held have been taken from the Financial Statements most recently approved by those companies. It should be noted that the "profits/losses on 31 December" item is incorporated into the net equity value and has been taken into consideration for the purposes of determining the balance sheet value. During 2008 the holdings in Cestud S.p.A. were cancelled in that, on the basis of the net equity data, it was necessary to devalue them to the extent of their entire value. Furthermore, on 9 January 2009 the Shareholders Assembly of Cestud S.p.A. deliberated to begin the company dissolution procedure, given that no recapitalisation had taken place.



figures in euro

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

	2008	2007
A. Initial balance	204,544	203,022
B. Increases	97,369	1,522
B.1 purchases	0	0
B.2 value recoveries	0	0
B.3 revaluations	97,369	1,522
B.4 other variations	0	0
C. Decreases	47,231	0
C.1 sales	0	0
C.2 value adjustments	47,231	0
C.3 other variations	0	0
D. Final balance	254,682	204,544
E. Total revaluations	184,333	86,963
F. Total adjustments	181,929	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 the company S.p.A. ISIS for a total of 97,369 euro, calculated on its balance sheet data from 2008.

Item C.2: Value adjustments

This includes the devaluation of the equity of the Cestud S.p.A. company, calculated on its balance sheet data from 2007.

Item E.: Total revaluations

these relate to:

- annual revaluations of the holdings in Cestud S.p.A. totalling in all 22,441 euro;
- annual revaluations in the holdings of the company S.p.A. ISIS totalling 161,892 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, as well as the total devaluation of the holdings in Cestud S.p.A. for a total of 47,231 during the 2008 financial statements period.

SECTION 4 - INTANGIBLE AND TANGIBLE FIXED ASSETS, AND LEASING

4.1 INTANGIBLE FIXED ASSETS (BREAKDOWN OF ITEM 8)

	2008	2007
intangible fixed assets	45,724	49,915

The following are the single components of the "intangible fixed assets":

Type of good	2008			2007		
	Original cost	Depreciation	Balance Sheet value	Original cost	Depreciation	Balance Sheet value
installation and extension costs	6,085	6,085	0	6,085	6,085	0
pluriennial costs on third party goods	198,906	198,906	0	198,906	198,906	0
softwares	3,579,104	3,533,380	45,724	3,538,083	3,488,418	49,665
concession patents/licenses/brands	1,250	1,250	0	1,250	1,000	250



figures in euro

Balance Sheet movements can be broken down as follows:

	2008	2007
A. Initial balance	49,915	95,449
B. Increases	41,021	55,129
B.1 purchases	41,021	55,129
B.2 value recoveries	0	0
B.3 revaluations	0	0
B.4 other variations	0	0
C. Decreases	45,213	100,663
C.1 sales	0	0
C.2 value adjustments	45,213	100,663
- depreciations	45,213	100,663
- lasting devaluations	0	0
C.3 other variations	0	0
D. Final balance	45,724	49,915

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

Item B.1: purchases

This is comprehensive of the costs for the purchase of software totalling 41,021 euro.

Item C.2: value adjustments

this includes the depreciation quotas for 2008 amounting to 45,213, calculated following the direct method.

4.2 TANGIBLE FIXED ASSETS (BREAKDOWN OF ITEM 9)

	2008	2007
tangible fixed assets	5,933,445	5,296,566
- owned assets	5,933,445	5,296,566

The following represents the single components of the values entered onto the balance sheet under "Tangible fixed assets":

Type of good	2008			2007		
	Original cost	Depreciation fund	Balance Sheet value	Original cost	Depreciation fund	Balance Sheet value
owned assets						
- essential buildings	5,483,190	657,983	4,825,207	5,483,190	438,655	5,044,534
- pluriennial costs on buildings	829,740	40,401	789,339	175,531	7,211	168,320
- furnitures and furnishings	648,331	472,487	175,844	453,669	435,245	18,424
- systems and fittings	747,162	665,016	82,147	660,278	644,659	15,619
- electronic devices	696,714	655,444	41,270	662,522	632,271	30,251
- misc. equipment	50,259	46,990	3,269	49,039	44,723	4,315
- motor vehicles	39,913	30,265	9,648	39,913	25,441	14,472
- electric machinery	10,770	10,349	421	10,770	10,138	631
- other owned goods	6,300	0	6,300	0	0	0

The Balance Sheet movements can be summarized as follows:

	2008	2007
A. Initial balance	5.296.566	5.330.933
B. Increases	977.468	281.405
B.1 purchases	977.468	281.405
B.2 value recoveries	0	0



figures in euro

	2008	2007
B.3 revaluations	0	0
B.4 other variations	0	0
C. Decreases	340,590	315,772
C.1 sales	0	0
C.2 value adjustments	340,590	315,772
- depreciations	340,590	315,772
- lasting devaluations	0	0
C.3 other variations	0	0
D. Final balance	5,933,445	5,296,566

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

Item B.1: purchases

- office furniture and furnishings totalling 194,662 euro;
- systems and fittings totalling 86,884 euro;
- miscellaneous equipment totalling 1,221 euro;
- electronic devices totalling 34,192 euro;
- pluriennial costs for buildings totalling 654,209 euro;
- other owned goods totalling 6,300 euro.

Item C.2 : depreciations

the depreciation was calculated based on rates that take into account the residual product life of the assets, as well as figuring in the fiscal legislation currently in force.

SECTION 5 - OTHER ASSETS

5.1 OTHER ASSETS (BREAKDOWN OF ITEM 10)

	2008	2007
other assets	1,802,044	1,535,085

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

	2008	2007
credit with the State:	10,030	9,039
- advances on General Income Tax	0	0
- higher taxes paid out for previous financial years	10,030	9,039
fees to be debited to:	98,526	7,718
- banks	98,526	7,718
- customers	0	0
c/a cheques drawn on other banks	572,681	490,792
other credit and miscellaneous items	1,120,808	1,027,536
Total	1,802,044	1,535,085

The "Other Credit and Miscellaneous Items" entry is made up of the credits relative to charges levied for supervision in 2008, 1,048,150 euro, which the supervised parties are obliged to pay back to the Central Bank.



figures in euro

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

	2008	2007
accrued revenues and deferred expenses	6,320,256	5,059,017
- accrued revenues	6,232,269	4,887,959
- deferred expenses	87,987	171,058

The composition of the individual parts of this entry is:

	2008	2007
accrued revenues deriving from:	6,232,269	4,887,959
- interest on bank deposits	0	1,667
- interest on securities	6,223,552	4,864,423
- interest on mortgages	8,718	21,869
deferred expenses deriving from:	87,987	171,058
- insurance premiums	54,525	25,843
- other sources	33,462	145,215
Total	6,320,256	5,059,017

The "other sources" listed under the "deferred expenses" item is primarily composed of the rediscounts calculated on advertising expenses and on maintenance contracts.

SECTION 6 - DEBTS**6.1 DEBTS WITH BANKS (BREAKDOWN OF ITEM 1)**

	2008	2007
debts with banks	74,995,167	28,209,290
- sight debts	74,995,167	27,858,499
- term or notice debts	0	350,791

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

	EURO		OTHER CURRENCIES		TOTAL	
	2008	2007	2008	2007	2008	2007
<i>sight debts</i>						
- current accounts	64,930,750	23,611,870	10,064,416	4,246,629	74,995,167	27,858,499
<i>term or notice debts</i>						
- time deposits	0	0	0	350,791	0	350,791
Total	64,930,750	23,611,870	10,064,416	4,597,420	74,995,167	28,209,290
<i>of which:</i>						
- with residents	64,930,750	23,092,212	10,064,416	3,873,074	74,995,167	26,965,285
- with non-residents	0	519,658	0	724,347	0	1,244,005

As in last year's Balance Sheets, the "Interest Paid to Banks" amounting to 524,731 euro, which was accrued and matured at the end of the Balance Sheet period, was entered under the "Debts with Banks" item.



figures in euro

6.2 DEBTS WITH CUSTOMERS (BREAKDOWN OF ITEM 2)

	2008	2007
debts with customers	382,920,621	306,501,021
- sight debts	334,692,124	271,501,021
- term or notice debts	48,228,497	35,000,000

"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	
	2008	2007	2008	2007	2008	2007
<i>sight debts</i>						
- current accounts	334,653,199	271,323,338	38,925	177,683	334,692,124	271,501,021
- time deposits	48,228,497	35,000,000	0	0	48,228,497	35,000,000
Total	382,881,696	306,323,338	38,925	177,683	382,920,621	306,501,021
<i>of which</i>						
- with residents	334,348,457	271,114,151	37,518	177,495	334,385,975	271,291,646
- with non-residents	304,741	209,187	1,407	188	306,149	209,375

6.3 DEBTS REPRESENTED BY SECURITIES (BREAKDOWN OF ITEM 3)

	2008	2007
debts represented by securities	6,310,517	63,847,561
- bonds	0	0
- certificates of deposit	0	0
- other securities	2,733,000	59,582,181
- cheques in circulation	3,577,517	4,265,380

"Other Securities" represents the debt existing on 31 December 2008 for financing repurchase agreement operations. The variation in the item compared to the previous financial statements is due to the suspension of the securities loans contract with Clearstream Banking s.a.

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)

	2008	2007
staff retirement allowances	352,821	300,871

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



figures in euro

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

	2008	2007
Balance on 1 January	300,871	282,474
Decreases		
- <i>used to pay retirement allowances to staff</i>	<i>300,871</i>	<i>282,474</i>
Increases		
- <i>provisions made for financial year</i>	<i>352,821</i>	<i>300,871</i>
Balance on 31 December	352,821	300,871

Pursuant to the employment contract currently in force, the retirement allowances accrued during the 2008 Balance Sheet period were paid out in full to staff members by the 31 March 2009 deadline.

7.2 RISKS AND COSTS FUNDS (BREAKDOWN OF ITEM 7)

Tax fund:

the "Tax fund" total on 31 December 2008 was zero given that, as established by its Statutes regulations, Central Bank profits are exempt from general income tax. On the other hand, if distributed, they are added onto Shareholders' taxable income.

Therefore, no variations were registered for 2008.

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.

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

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

	2008	2007
fund for general banking risks	27,896,730	26,896,730

The Fund changed as follows during the Balance Sheet period:

	2008	2007
Balance on 1 January	26,896,730	24,126,730
Decreases		
- <i>use of fund</i>	<i>0</i>	<i>0</i>
Increases		
- <i>provision made for the financial year</i>	<i>1,000,000</i>	<i>2,770,000</i>
Balance on 31 December	27,896,730	26,896,730

Central Bank equity was further consolidated by the provision to the Fund for General Banking Risks totalling 1,000,000 euro, in keeping with the equity consolidation policy adopted in the balance sheets pertaining to the years past.



figures in euro

8.2 ENDOWMENT FUND (BREAKDOWN OF ITEM 10)

	2008	2007
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 of 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% the "Cassa di Risparmio della Repubblica di San Marino S.p.A.";
- 6% the "Banca di San Marino S.p.A.";
- 5% the "Banca Agricola Commerciale della Repubblica di San Marino S.p.A.";
- 5% the "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)

	2008	2007
reserves	11,754,974	11,001,276
- ordinary reserves	3,571,629	3,221,588
- extraordinary reserves	7,999,012	7,692,725
- other reserves	184,333	86,963

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 constitute the equity of the Central Bank.

8.5 NET PROFIT (BREAKDOWN OF ITEM 13)

	2008	2007
net profit	897,344	875,106

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

SECTION 9 - OTHER LIABILITIES

9.1 OTHER LIABILITIES (BREAKDOWN OF ITEM 4)

	2008	2007
other liabilities	8,933,745	11,691,808



figures in euro

The following is a detailed description of this entry:

	2008	2007
debts for supplies, services	591,903	374,104
debts with the State:	600,927	508,524
- direct taxes to be paid as withholding agent	593,992	505,719
- indirect taxes	6,936	2,805
debts for fees paid to "Council Members and Statutory Auditors"	85,057	112,369
debts with the ISS and the FSS	163,816	130,393
invoices to be received	166,825	151,510
debts with dependent employees	898,033	765,862
sums at the disposal of third parties:	6,391,506	9,558,884
- customers	6,389,394	9,556,843
- banks	2,111	2,041
other debts and miscellaneous items	35,677	90,162
<i>Rounded-off sums from having balance sheet in euro units</i>	<i>1</i>	<i>0</i>
Total	8,933,745	11,691,808

"Sums at the disposal of third parties" refers almost exclusively to State Treasury receipts which—due to the time required for processing them—have 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" figure is almost exclusively composed of 2008 consultancy fees that will be paid out in the forthcoming financial year.

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

	2008	2007
accrued expenses and deferred revenues	745,472	467,848
- accrued expenses	741,687	436,595
- deferred revenues	3,785	31,253

The breakdown of this item is as follows:

	2008	2007
accrued expenses on:	741,687	436,595
- interest from bank deposits	0	1,999
- interest on customer deposits	711,505	420,424
- interest on repurchase agreements	30,182	13,331
- interest from credit derivatives	0	840
deferred revenues on:	3,785	31,253
- miscellaneous expense recoveries	3,785	31,253
Total	745,472	467,848

SECTION 10 - GUARANTEES AND COMMITMENTS

10.1 GUARANTEES ISSUED AND RECEIVED

	2008	2007
guarantees issued	9,048,976	8,287,240
guarantees received	35,581,189	31,407,419



figures in euro

Under the item "Guarantees issued" are a bank suretyship issued on behalf of the Public Administration to the Ministry of Transport and Navigation in Rome (999 euro) and three bank suretyships granted on behalf of the Azienda Autonoma di Stato per i Servizi Pubblici (San Marino's Autonomous Public Services Corporation), of which one to the Ministry of the Environment in Rome (8,397,977 euro) and two to the company Sogliano Ambiente S.p.A (350,000 and 300,000 euro). The "Guarantees received" item contains the guarantees received 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 of 24 March 2004. The forms of guarantee for the extensions are sub-divided into bank suretyships, savings books, notes payable, and real estate mortgages. Furthermore, "Guarantees Received" contains are the restraints on the contents of the accounts belonging to bodies of the San Marino State, i.e. the Eccellentissima Camera (State) and the Azienda Autonoma di Stato per i Servizi Pubblici (its Public Works company).

10.2 COMMITMENTS		
	2008	2007
sales with repurchase obligation	2,778,606	1,876,363
purchases with transfer obligation	0	0
foreign currencies and securities to be received	0	351,837
foreign currencies and securities to be delivered	0	351,685
other commitments	417,134	5,208,225
Total	3,195,740	7,788,110

The "Sales with repurchase obligation" item refers to the repurchase operations existing on 31 December 2008, entered at their final swap value, net of withholding taxes and expenses.

The variation to the "Other Commitments" entry is due to the maturity of the credit default swap, the nominal value of which was 5,000,000 euro; this occurred on 20 March 2008.

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.

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.



figures in euro

12.3 OTHER OPERATIONS		
	2008	2007
asset management	0	0
custody and management of securities	443,263,098	374,546,700
other operations	88,479,309	81,564,808
Total	531,742,407	456,111,508

The following is the breakdown of the "Securities custody and management" entry:

Deposited third party securities	17,883,681
third party securities in vault:	
- securities and savings books deposited for customers	365,785
- finance bills issued by the Republic of San Marino for the IMF and the World Bank	13,416,108
- notes payable	941
- bonds, shares and similar securities	1,225,554
Third party securities deposited with third parties	2,875,294
Owned securities deposited with third parties	425,238,524
- bonds and similar securities	421,974,063
- owned mutual fund quotas deposited with third parties	3,261,781
- shares	2,680
Owned securities deposited in vault	140,893
- shares	140,893
Total	443,263,098

The "third party securities deposited with third parties" item contains the issue of the securities sales operations of the dependent employees of the Central Bank, active from March 2008 onwards.

The following is the breakdown of the "other operations" item:

- ruoli IGR (Tax rolls): being collected	10,778,680
- Mano Regia: being collected	3,991,852
- ruoli esattoria (Overdue Tax Collection Dept): being collected	73,330,021
- third party goods deposited with Third Parties	378,756
Total	88,479,309

The "Other operations" item refers to :

- Public Administration credits registered according to the respective roles being exercised by the competent public offices; the Central Bank sees to the encashment of the aforesaid pursuant to Articles 52 and following, and in fulfilment of Legislative Decree 91 of 13 October 1984;
- Taxes, fees, 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) of the Central Bank 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 INCOME AND OTHER PROCEEDS (BREAKDOWN OF ITEM 1)

	2008	2007
interest received and proceeds	20,698,414	15,287,137

The "interest income and other proceeds" were accrued on:

	2008	2007
a) inter-bank loans	1,955,796	1,716,392
of which: credit in foreign currencies	180,914	439,780
b) customer loans	1,008,546	569,062
of which: credit in foreign currencies	13	13
c) Government securities and bonds	17,734,072	13,001,683
of which: bonds, securities in foreign currencies	0	0
Total	20,698,414	15,287,137

The positive variation in the "interest income and other proceeds accrued on Government securities and bonds" was the result of the increased availability of funds in customers' and banks' current accounts, which was used to increase investments in bond securities, as well as raise interest rates.

1.2 INTEREST PAID AND OTHER COSTS (BREAKDOWN OF ITEM 2)

	2008	2007
interest paid and other costs	9,669,810	6,794,245

"Interest paid and other costs" refers to the following liability items:

	2008	2007
a) debts with banks	1,973,886	1,059,954
of which: debts in foreign currencies	168,570	274,171
b) debts with customers	7,587,613	5,658,731
of which: debts in foreign currencies	5,643	10,366
c) debts represented by securities (repurchase agr.mts)	108,311	75,560
of which: repos on securities in foreign currencies	0	0
Total	9,669,810	6,794,245

The rise in the "Interest paid and other costs" is due to increased amounts in the accounts of the San Marino banks' centralised accounts, to the increase in cash in the current accounts of the Public Administration, and to interest rate increases.

SECTION 2 - COMMISSIONS

2.1 COMMISSIONS EARNED (BREAKDOWN OF ITEM 4)

	2008	2007
commissions earned	3,033,125	3,023,936



figures in euro

"Commissions earned" refers to:

	2008	2007
a) management, brokerage and consultancy services	4	24
1) securities negotiation	4	24
2) custody and management of securities	0	0
b) collection and payment services	3,026,119	3,021,624
c) other services	7,001	2,288
Total	3,033,125	3,023,936

The "Collection and Payment Services" item contains the 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 2008.

2.2 COMMISSIONS PAID (BREAKDOWN OF ITEM 5)

	2008	2007
commissions paid	73,083	90,638
"Commissions paid" refers to:		
	2008	2007
a) credit derivatives	6,188	27,882
b) management and brokerage services	52,600	46,133
1) securities negotiation	0	0
2) custody and management of securities	52,600	46,133
c) collection and payment services	1,204	5,027
d) other services	13,091	11,597
Total	73,083	90,638

SECTION 3 - PROFITS AND LOSSES FROM FINANCIAL OPERATIONS**3.1 PROFITS AND LOSSES FROM FINANCIAL OPERATIONS (BREAKDOWN OF ITEM 6)**

	2008	2007
losses from financial operations	6,134,025	2,155,782

The changes in this entry can be summarised as follows:

	Securities transactions	Foreign currencies transactions	Total
	2008	2008	2008
A.1 revaluations	0	0	0
A.2 devaluations	-8,860,415	0	-8,860,415
B. other profits/losses	2,701,921	24,469	2,726,390
Total	-6,158,494	24,469	-6,134,025
1. Government bonds	0		
2. other debt securities	-6,158,494		
3. capital securities	0		



figures in euro

Item A.2: Devaluations

This represents the value of the capital loss to the securities portfolio on 31 December 2008.

Item B.: Other profits/losses

This item refers to the profits and losses due to securities negotiation, including those reimbursed at maturity. As concerns the foreign currency transactions, the item shows the profits deriving from transactions taking place in foreign currencies.

SECTION 4 - ADMINISTRATIVE COSTS

4.1 ADMINISTRATIVE COSTS (BREAKDOWN OF ITEM 9)

	2008	2007
administrative costs	7,186,756	6,412,860

The following is the break down of the "Administrative costs" item:

	2008	2007
a) labour costs	4,597,438	3,999,539
- wages and salaries	2,923,240	2,558,666
- pension contributions	832,424	686,131
- retirement allowances	352,821	305,228
- other labour costs	452,776	405,476
- training and professional update courses	36,177	44,038
b) other administrative costs	2,589,318	2,413,321
- graphic art work and advertising	89,984	104,454
- insurance	93,138	59,181
- miscellaneous utilities and cleaning of premises	118,677	113,638
- forms, stationary, newspapers and publications	107,087	126,935
- postal, telephone and telex services	159,736	141,426
- expendables and spares	12,339	8,793
- retribution for "Council Members and Statutory Auditors"	85,057	112,369
- professional consultancy fees	569,771	477,010
- reimbursement: personnel/consultant travel expenses	167,980	155,903
- rentals, technical assistance, repairs and various services	1,043,872	983,047
- association membership and similar fees	14,586	18,219
- rents	702	732
- donations	0	55,866
- miscellaneous	126,390	55,749
Total	7,186,756	6,412,860

"Labour Costs" include expenses for employees who are on leave or have been temporarily transferred. The relative reimbursement for a total of 59,329 euro is listed under item 7 of the Profit and Loss Account, among "Other Operating Proceeds". Furthermore, given that the collective bargaining contract for clerical employees of the Bank expired on 31 December 2007, a relative provision was made to the clerical employee retribution item, through an estimation process based on the Istat index.

The "Other labour costs" reflect staff production premiums, payments for employee holidays due but not taken as of 31 December 2008, and overtime arrears payments. Further data on Central Bank staff may be gained by consulting the Human Resources Schedule (annex 1 to the Financial Statements).



figures in euro

SECTION 5 - ADJUSTMENTS, RECOVERIES AND PROVISIONS

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

	2008	2007
value adjustment on intangible and tangible fixed assets	385,803	416,435

The composition of the "Value Adjustments on Intangible and Tangible Fixed Assets" item is as follows:

	2008	2007
tangible fixed assets	340,590	315,772
- premises	252,517	226,349
- furnitures, machines and utility systems, misc equip.mts, vehicles	88,073	89,423
intangible fixed assets	45,213	100,663
- concession of patents, brands and rights	250	250
- softwares	44,963	97,075
- installation and extension costs	0	2,121
- pluriennial costs on third party goods	0	1,217
Total	385,803	416,435

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)

	2008	2007
value adjustments on financial assets	47,231	0

The adjustment concerns the total devaluation of the holdings in Cestud S.p.A.

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 2008 financial statements period neither of the companies S.p.A. ISIS and Cestud S.p.A. paid out dividends.

6.2 OTHER OPERATING PROCEEDS (BREAKDOWN OF ITEM 7)

	2008	2007
other operating proceeds	1,698,375	1,217,041

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

	2008	2007
- rents received	22,975	22,571
- accounting expenses	4,688	5,918
- recovery of personnel expenses	59,329	39,940
- miscellaneous reimbursements	532,924	189,023
- recovery of sums levied from supervised parties	1,048,150	929,431
- credit notes, allowances and positive rounding-off figures	853	1,990
- proceeds from Overdue Tax Collection services	29,454	28,168
Total	1,698,375	1,217,041

"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 recuperated in connection to the 2008 Balance Sheet period; the total was communicated to supervised parties by 31 March 2009, pursuant to Law 117 of 6 November 2006.

Under "miscellaneous reimbursements", the normal expense reimbursements for bank commissions exist, and reimbursements for cash supply costs are present, besides the partial reimbursement received from the Social Services Fund for professional training of its personnel.

6.3 OTHER OPERATING COSTS (BREAKDOWN OF ITEM 8)

	2008	2007
other operating costs	35,120	28,814

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

6.4 EXTRAORDINARY PROCEEDS (BREAKDOWN OF ITEM 18)

	2008	2007
extraordinary proceeds	10,792	29,005
of which: rounding-off due to publishing Financial Statements in euro units	0	0

"Extraordinary Proceeds" reflects miscellaneous windfall assets.

6.5 EXTRAORDINARY COSTS (BREAKDOWN OF ITEM 19)

	2008	2007
extraordinary costs	11,534	13,239
of which: rounding-off due to publishing Financial Statements in euro units	2	0

"Extraordinary Costs" refers to miscellaneous contingent liabilities.

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 ORGANISATIONAL HIERARCHY

	2008	2007	2006	2005
SENIOR OFFICERS	0.0%	0.0%	0.0%	0.0%
OFFICERS	20.0%	15.4%	12.9%	10.3%
FRONT OFFICE MGRS./CLERKS	77.1%	81.5%	82.3%	86.2%
SUPPORT STAFF	2.9%	3.1%	4.8%	3.5%
	100.0%	100.0%	100.0%	100.0%

Dependent employees: VARIATIONS

	2008	2007	2006	2005
TOTAL PERSONNEL ⁽¹⁾ at the start of the year:	65	62	59	56
- HIRING	5	4	6	4
- TERMINATIONS	0	1	3	1
TOTAL PERSONNEL ⁽¹⁾ at the end of the year:	70	65	62	59
of which having fixed-term contracts	0	3	3	3
ANNUAL VARIATION	8%	5%	5%	5%
REAL AVERAGE RESOURCES ⁽²⁾	61.1	56.3	53.7	47.6

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

(2) Calculated at the beginning of the year. This includes the Director General and the External Inspectors. Takes into account the hiring and resignation dates, long-term absences (leaves, transfers, maternity leave) and part-time employees. End-of-month average figures.



figures in euro

Annex 2

NET EQUITY CHANGES SCHEDULE

Annual variations in net equity

	Endowment fund	Ordinary reserve fund	Extra-ordinary reserve fund	Other reserves	Fund for general banking risks	Profits to be allocated	TOTAL EQUITY FUNDS
Balances on 31/12/2007	12,911,425	3,221,588	7,692,725	86,963	26,896,730	875,106	51,684,537
2007 profit provisions:							
- to ordinary reserve		350,042				-350,042	
- to extraordinary reserve			306,287			-306,287	
- to other reserves				0			0
- unavailable reserves				97,370			97,370
- to shareholders						-218,777	-218,777
Provisions on 2008 Financial Statements					1,000,000		1,000,000
2008 profits to be allocated						897,344	897,344
Balances on 31/12/2008	12,911,425	3,571,630	7,999,012	184,333	27,896,730	897,344	53,460,474



figures in euro

Annex 3
2008 STATEMENT OF FINANCIAL CONDITIONS

Funds generated and collected	2008	2007
Funds deriving from operations		
Profit for the financial year	897,344	875,106
Provisions to the Fund for General Banking Risks	1,000,000	2,770,000
Provisions to Staff Retirement Fund	352,821	300,871
Value adjustments on fixed assets	385,803	416,435
	2,635,968	4,362,412
Increases in the funds collected		
Other liabilities	0	4,011,448
Debts with banks	46,785,877	0
Debts with customers	76,419,600	24,696,328
Debts represented by securities (repos and certificates of deposit)	0	58,381,237
Other variations	0	0
Accrued expenses and deferred revenues	277,624	289,120
	123,483,101	87,378,133
Decreases in the funds used		
Other assets	0	0
Shares, quotas and other capital securities	5,810,096	0
Cash and available funds	0	363,912
Intangible fixed assets	0	0
Tangible fixed assets	0	0
Accrued revenues and deferred expenses	0	0
Inter-bank loans	11,150,424	0
Bonds and other debt securities	0	0
Customer loans	3,002,459	0
Holdings	0	0
	19,962,979	363,912
Total funds generated and collected	146,082,048	92,104,457



figures in euro

Annex 3
2008 STATEMENT OF FINANCIAL CONDITIONS

Funds used and spent	2008	2007
Value recoveries and use of funds deriving from operations		
Value recoveries	0	0
Utilisation of other funds	0	0
Dividends paid out	218,777	201,968
Other reserves (unavailable reserve)	-97,370	-1,522
Utilisation of Staff Retirement funds	300,871	282,474
	422,278	482,920
Increases in funds spent		
Other assets	266,959	11,138
Other variations	3	0
Cash end available funds	8,765,278	0
Inter-bank loans	0	36,727,575
Customer loans	0	8,687,273
Intangible fixed assets	41,021	55,129
Tangible fixed assets	977,468	281,405
Shares, quotas and other capital securities	0	108,780
Bonds and other debt Securities	74,002,557	38,539,965
Holdings	50,138	1,522
Accrued revenues and deferred expenses	1,261,239	1,283,841
	85,364,663	85,696,628
Decreases in funds collected		
Other liabilities		
Debts with banks	2,758,063	0
Debts with customers	0	5,924,909
Debts represented by securities	0	0
Accrued expenses and deferred revenues	57,537,044	0
	0	0
	60,295,107	5,924,909
Total funds used and spent	146,082,048	92,104,457



BOARD OF AUDITORS REPORT
ON THE BALANCE SHEETS
CLOSED ON 31 DECEMBER 2008



The Balance Sheet and Financial Statements for 2008 have been drawn up in accordance with the laws currently in force (Law 96 of 29 June 2005 – Statutes of the Central Bank of the Republic of San Marino, Law 165 of 17 November 2005 – the Law on Companies and Banking, Financial and Insurance Services, Law 47 of 23 February 2006 – and the Law on Corporations).

The proposed Financial Statements, closed on 31 December 2008, which the Governing Council has submitted for your examination and approval, are made up of the Balance Sheets, the Profit and Loss Account, and the Notes thereto. This document illustrates trends and operating performance of, and furthermore indicates the financial position of, the Central Bank 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; it was furthermore organised pursuant to the laws currently in force.

Dear Shareholders,

the proposed Financial Statements closed on 31 December 2008, that the Governing Council has submitted for your examination and approval, were drawn up in accordance with the laws currently in force (Law 96 of 29 June 2005 and following amendments – Statutes of the Central Bank, Law 165 of 17 November 2005 – the Law on Companies and Banking, Financial and Insurance Services, Law 47 of 23 February 2006 – and the Law on Corporations); they are made up of the Balance Sheets, the Profit and Loss Account, and the Notes to the Financial Statements, besides the Governing Council's Report on Management.

The above documents were made available to the Board of Auditors on 6 May 2009, immediately following the approval thereof by the Governing Council on 5 May 2009.

In the Notes to the Financial Statements there is a detailed description of the process which determined the net profits amounting to 897,344 as well as the accounting principles observed.

The outcome of the Financial Statements is contained in the following categories of asset and income values expressed in Euro, obtained by rounding off the actual accounting amounts, whether up or down, to the closest euro unit, that is, by the sum of the rounded-off figures of the sub-items. 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 in accordance with the general criteria existing for bank Financial Statements:



figures in euro

LIABILITIES	502,155,073
ENDOWMENT FUND	12,911,425
RESERVES	11,754,974
PROFIT FOR THE FINANCIAL YEAR	897,344
ASSETS	527,718,816
GUARANTEES AND COMMITMENTS	
GUARANTEES ISSUED	9,048,976
GUARANTEES RECEIVED	35,581,189
COMMITMENTS	3,195,740
SUSPENCE ACCOUNTS	
ASSET MANAGEMENT	0
DEPOSITED THIRD-PARTY SECURITIES	15,008,387
THIRD-PARTY SECURITIES DEPOSITED WITH THIRD PARTIES	2,875,294
OWNED SECURITIES DEPOSITED WITH THIRD PARTIES	425,238,524
OWNED VALUABLES IN BANK VAULT	140,893
OTHER OPERATIONS	88,479,309
TOTAL SUSPENCE ACCOUNTS	531,742,407
THE OUTCOME OF THE PROFIT AND LOSS ACCOUNT WAS CONFIRMED BY THE RECLASSIFIED PROFIT AND LOSS ACCOUNT, AS FOLLOWS	
MONEY MANAGEMENT MARGIN	11,028,604
PROCEEDS FROM FINANCIAL OPERATIONS	6,561,826
FINANCIAL OPERATION COSTS	-12,695,851
OTHER OPERATING PROCEEDS	3,137,382
OTHER OPERATING COSTS	-108,154
OTHER PROCEEDS	1,534,378
LABOUR COSTS	-4,537,699
DEPRECIATION AND PROVISIONS COSTS	-385,803
OTHER COSTS	-2,589,368
ORDINARY OPERATING PROCEEDS	1,945,315
EXTRAORDINARY OPERATING PROCEEDS	0
EXTRAORDINARY OPERATING COSTS	-47,231
WINDFALL PROCEEDS	10,792
WINDFALL COSTS	-11,532
PRE-PROVISIONS PROFITS	1,897,344
PROVISIONS TO FUND FOR GENERAL BANKING RISKS	-1,000,000
USE OF MISCELLANEOUS FUNDS	0
PRE-TAX PROFITS	897,344
INCOME TAXES	0
NET PROFITS	897,344

Pursuant to Art. 24 of Law 96 of 29 June 2005, Central Bank profits are exempt from general income tax; on the other hand, if distributed, they are added onto Shareholders' taxable income.

On 31 December 2008 the Fund for General Banking Risks amounted to 27,896,730 euro. Compared the preceding Financial Statements it therefore increased by 1,000,000 euro.

The net equity, as illustrated in the Report made by the Governing Council, is in line with the procedures set down by the Central Bank Statutes.

AUDITING ACTIVITIES

The Board of Auditors has read the Independent Auditor's Report written on 6 May 2009, which in its conclusions states the following: "In our professional opinion, on 31 December 2008, the Financial Statements of the CENTRAL BANK OF THE REPUBLIC OF SAN MARINO, in their entirety, conformed to the laws that currently regulate their composition; they are thus presented with clarity, and truly and correctly represent the Bank's net equity and financial situation. They therefore accurately portray the Central Bank's general economic status".

SUPERVISORY ACTIVITIES

This Board of Auditors wishes to highlight the fact that two of its three members have only been nominated during the course of 2009 (the President on 19 March 2009, and one Council Member on 2 April 2009), and therefore the present report refers to the documentation examined directly by the present Board, consisting in part in the minutes of the former Board of Auditors proceedings for the 2008 Financial Statements period.

- the end of the drawing up of the present report the minutes of the Board of Auditors' meetings drawn up during the course of 2008 have been examined, from which no decisions by the Directorate General emerged which were in any fashion contrary to Central Bank regulations, to the laws in force, and to Central Bank Statutes;
- the Board of Auditors that held office during the 2008 Financial Statements period participated at the Directorate General meetings, in accordance with the statutory and legislative rules that govern the functioning of the Bank, and it has been found that no illegal actions were deliberated nor were the Statutes violated, nor were the aforesaid contrary to any of the decisions taken during Shareholders' Assemblies;
- the Board of Auditors that held office during the 2008 Financial Statements period received information from the Governing Council regarding the state of general operations, including the foreseeable evolution thereof, as well as information on those operations having the most important implications from an economic, financial and equity standpoint; moreover no illegal actions were determined nor were the Statutes violated;
- the Board declares that the general organisation of the Balance Sheets in these Financial Statements is in line with the Laws concerning the drawing up and structuring thereof;
- from comparisons between the Notes to the current Financial Statements with those relative to last year it may be noted that the valuation of the balance sheet figures was carried out on the basis of the identical criteria, and that it is thus possible to compare them.

Given the facts outlined above, and keeping in mind that no negative facts of note have emerged, nor have reservations been expressed, this Board of Auditors retains that the Financial Statements closed on 31 December 2008 were drawn up with clarity, and truly and correctly represent the Bank's net equity and financial situation. They therefore accurately portray the Central Bank's general economic status, and its members therefore invite the Assembly to approve them as per the Governing Council's proposal.

San Marino, 20 May 2009

The Board of Auditors
Irene Lonfernini
Massimo Francioni
Guido Zafferani



INDEPENDENT AUDITOR'S REPORT



INDEPENDENT AUDITOR'S REPORT

To the shareholders of the
CENTRAL BANK OF THE REPUBLIC OF SAN MARINO

1. We have audited the Financial Statements of the CENTRAL BANK OF THE REPUBLIC OF SAN MARINO, closed on 31 December 2008. The responsibility for the drawing up of those Financial Statements in accordance with the current laws relating thereto remains that of the Governing Council of the CENTRAL BANK OF THE REPUBLIC OF SAN MARINO. 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 carried out in accordance with the generally accepted auditing principles currently in force in Italy, as established by the National Council of Board-Certified Accounting Professionals and Expert Accountants. In observation of the aforesaid principles, the audit was organised and carried out in order to acquire every element necessary to ascertain whether the Financial Statements contained significant errors and whether the overall outcome was reliable. The auditing procedure included the examination - based on sample checks - of the probative elements connected with the amounts and the information contained in the Financial Statements. Additionally examined were the completeness and the accuracy of the accounting criteria applied, with reference to the laws of the Republic of San Marino that regulate Financial Statements, and the reasonableness of the calculations carried out by Governing Council members. We believe that the examination conducted provides us with a sufficient basis to express our professional opinion.

Regarding our opinion of the Financial Statements from last year, the data of which are provided in the present document for comparative purposes - as established by the laws currently in force - reference is made to the report issued by our firm dated 29 April 2008.

3. In our professional opinion, on 31 December 2008, the Financial Statements of the CENTRAL BANK OF THE REPUBLIC OF SAN MARINO, in their entirety, conformed with the laws that currently regulate their composition; they are thus presented with clarity, and truly and correctly represent the Bank's net equity and financial situation. They therefore accurately portray the Central Bank's general economic status.
4. As set down by the legislation currently in force, the Profit and Loss Account for the 2008 Financial Statements period includes provisions to the Fund for General Banking Risks amounting to one million Euro, as the aforesaid constitutes net equity and therefore serves to consolidate equity.

DELOITTE & TOUCHE S.r.l.



Carlo Beciani
Director

San Marino, 6 May 2009

BANCA
CENTRALE



DELLA REPUBBLICA
DI SAN MARINO
www.bcsmsm