

**BANCA**  **CENTRALE**  
DELLA REPUBBLICA DI SAN MARINO

*ANNUAL REPORT*

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**2009**



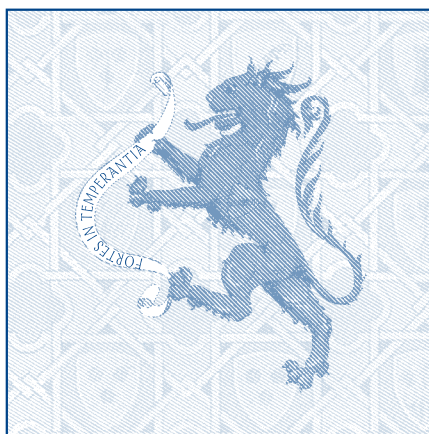






# 2009

## 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

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

### GOVERNING COUNCIL

Reggia Ezio Paolo	Chairman (resigned)
Berardi Orietta	Vice Chairman
Bizzocchi Stefano	Member
Mularoni Marco	Member
Simoncini Aldo	Member
Bugli Nazzareno	Member (resigned)

### BOARD OF AUDITORS

Lonfernini Irene	Chairman
Francioni Massimo	Auditor
Zafferani Guido	Auditor

### DIRECTORATE GENERAL

Giannini Mario	Director General
Bernardi Daniele	Vice Director General

### SUPERVISION COMMITTEE

Giannini Mario	Chairman
Ielpo Francesco	Inspector
Vivoli Andrea	Inspector

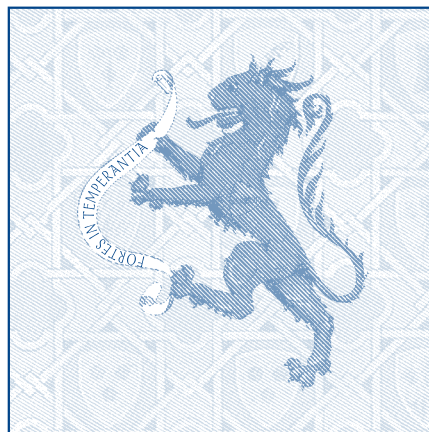
\* on 19 May 2010



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GOVERNING COUNCIL REPORT  
ON 2009 MANAGEMENT





### Dear Shareholders,

the following are the main data and economic-equity indicators pertaining to 2009 management.

As in past years, the Balance Sheet has been drawn up in conformity with the laws currently in force.

Total assets rose from 528 to 656 million euro, due to the considerable variation in the main balance sheet items "Inter-bank loans", which increased from 63 million euro in 2008 to 385 million euro in 2009, as well as "Bonds and other debt securities", which decreased from 419 to 228 million euro. The item "Other assets" includes credit for services provided by the Bank to the Public Administration in 2009, as per the economic agreement stipulated by the parties last December; it witnessed an increase of its total from 1.8 to 5.2 million euro. The value of the "Holdings" item increased from approximately 255 thousand euro to approximately 325 thousand euro due to the revaluation of the Total Net Equity item, based on the proposed balance sheet for 2009 of the company S.p.A. I.S.I.S.. During the year holdings in the company Cestud S.p.A. - the shares of which had already been completely devalued during the financial statement period of 2008 - were sold at the symbolic price of 1 euro.

Following the passing of Law Decree 162 of 3rd December 2009 San Marino credit institutions were obliged to set up – as minimum reserves – a fixed-term deposit at the Central Bank amounting to eight percent of the total amount of deposits, including Inter-bank deposits. These minimum reserves, listed under "Debts with banks", caused the latter item to increase from 75 to 193 million euro. "Debts with customers" rose from 383 to 385 million euro, while "Debts represented by securities" decreased from 6 to 3 million euro. Total Net Equity, composed of the Endowment Fund, Reserves, the Fund for General Banking Risks and undistributed profits from 2009, based on the Governing Council's proposal, would increase from 53 to 67 million euro. The aforesaid reflects the firm commitment of the Bank to consolidating its equity.

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

	2009	2008	variations	
			absolute	%
<b>Balance Sheet totals</b>	<b>655,891,892</b>	<b>527,718,816</b>	<b>128,173,076</b>	<b>24.3</b>
Inter-bank loans	385,214,210	63,217,866	321,996,344	509.3%
Customer loans	17,347,384	18,080,996	-733,612	-4.1%
Bonds and other debt securities	227,729,802	419,288,677	-191,558,875	-45.7%
Shares, quotas other capital stocks	2,973,674	2,973,674	0	0.0%
Holdings	325,425	254,682	70,743	27.8%
Debts with banks	192,688,132	74,995,167	117,692,965	156.9%
Debts with customers	385,225,862	382,920,621	2,305,241	0.6%
Debts represented by securities	3,094,125	6,310,517	-3,216,392	-51.0%
Total Net Equity*	66,917,063	53,460,473	13,456,590	25.2%
Money management margin	9,298,598	11,028,604	-1,730,006	-15.7%
Proceeds/costs from financial operations	8,937,072	-6,134,025	15,071,097	245.7%
Financial management margin	18,235,670	4,894,579	13,341,091	272.6%
Gross contribution margin	21,055,953	7,923,807	13,132,146	165.7%
Gross operation margin	13,575,609	1,898,084	11,677,525	615.2%
Net profits	970,183	897,344	72,839	8.1%

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

The “Money management margin” decreased by 15.7%, finishing up at 9.3 million euro, which was primarily determined by the drop in the “Interest received on securities” item, which was not completely compensated for by improvement in the “Interest paid” item.

“Profits/Losses from financial operations” made a significant positive contribution, as this item increased to 8.9 million euro from - 6.1 million euro in 2008, due to the trading activities carried out in a market characterised by reductions in earnings and the shrinking of credit spreads.

The financial management margin, therefore, was 18.2 million euro, which grew by 13.3 million euro compared to the preceding year. Intermediation activities, and the upswing in the value of the financial instrument rates - as well as the prudent valuation given in the 2008 balance sheet - allowed the results shown herein to be achieved, thus counterbalancing the drop in the interest rates of the securities portfolio, as well as the decrease in average funds in that portfolio.

In the wake of the well-publicised liquidity concerns of the San Marino market, particularly given the effects of the “fiscal shield” measures, the Central Bank intervened to provide liquidity to the system through the liquidation of part of the securities in its portfolio.

The “Other proceeds” item increased by 55.5%, being mainly composed of the recovery of the amounts collected for supervisory duties and the fees collected for the supplying of cash stocks.

In the light of the strengthening of the Central Bank’s personnel numbers and the setting up of the Financial Information Agency (San Marino’s Agenzia di Informazione Finanziaria) a 31.3% increase in administrative costs occurred.

Among the positive items it should be noted that “Other proceeds” contains the “Charges levied from supervised parties” i.e. the amounts paid by subjects supervised by the Bank. Despite the fact that, in 2009, the total of the direct and indirect costs sustained by the Central Bank amounted to 2.4 million euro, it was decided that the supervised parties would be charged 1.2 million, i.e. 18.9% more compared with the 2008 Financial Statements period. The Central Bank therefore took it upon itself to sustain the difference amounting to 1.2 million euro.

The Gross operating margin therefore equalled 13.6 million euro (1.9 million was the 2008 figure).

Following the provision to the “General Banking Risks Fund” totalling 12.6 million euro, Net profit amounted to 970,183 euro, an increase of 8.1% compared to the previous year. In accordance with its Statutes (Law 96/2005), 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:

PRODUCTIVITY INDEX (% - euro)	2009	2008
Labour costs* / Gross contribution margin	32.4%	64.5%
Ordinary operating margin / Annual average: Human Resources**	27,652	31,849
Ordinary operating margin / Net equity	20.3%	3.6%

\* 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, dear shareholders: on behalf of the Governing Council and in the interest of consolidating the equity of the Central Bank – pursuant to Article 23 of its Statutes - the following allocation of profits amounting to 970,183 euro is proposed:

	euro
To the Ordinary Reserve Fund	388,073
To the Extraordinary Reserve Fund	339,564
To Holding Bodies/Agencies	242,546

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	4,318,640
Extraordinary Reserve Fund	8,652,646
General Banking Risks Fund	40,536,730
Other Equity Reserves	255,076
<b>Net Equity</b>	<b>66,674,517</b>

Ladies and gentlemen, dear shareholders:

the above document constitutes the Governing Council's Report on 2009 Management, submitted for approval on 21st April 2010. On behalf of the Governing Council - following the reading of the Board of Auditors Report – your approval of the Balance sheet and Financial Statements as a whole is requested, together with the allocation of profits, as proposed to you pursuant to the laws currently in force.

The Public Administration is to be thanked for its cooperation; moreover, sincere thanks are also given to all personnel for the results achieved and their hard work for the good of this Institution. Furthermore, the Board of Auditors deserves grateful recognition for the attention paid to the Bank events falling within its sphere, as well as for its members' attendance at the Governing Council's meetings.

Finally kind thanks go out to the International Monetary Fund, in particular to the teams from the missions concerning periodical valuations under the former "Article IV" and the Financial Sector Assessment Program, for the valuable cooperation provided.

San Marino, 19th May 2010.

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

On 9th February 2010 Bank Chairman Biagio Bossone and Director General Luca Papi resigned; on 26th February San Marino's Parliament (Consiglio Grande e Generale) appointed Ezio Paolo Reggia as the Chairman of the Central Bank and on 17th March the Governing Council appointed Mario Giannini as the Bank's Director General.

During the same session on 17th March the Governing Council deliberated to strengthen the Bank's Supervision Department through the hiring of 7 new members, among whom the Department Head.



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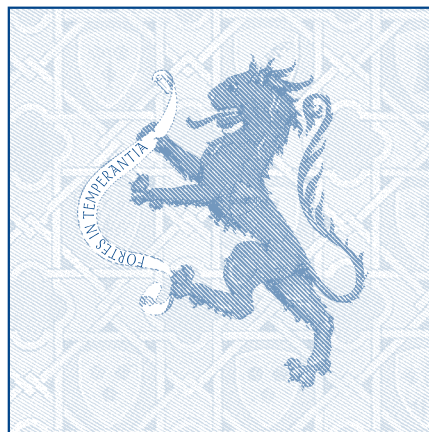
During the year further financing for 98 million euro was granted to support the liquidity of the system. The aforesaid, as set down by the Statutes, was adequately bolstered by guarantees.

On 19th April Vice Chairman Nazzareno Bugli resigned.

On 22nd April Chairman Ezio Paolo Reggia resigned.

2009  
**FINANCIAL STATEMENTS**

Drawn up in compliance with Law 113 of 29 October 1999





## BALANCE SHEET

### ASSETS



FIGURES IN EURO

	2009		2008	
<b>1. CASH AND OTHER VALUABLES</b>	7,201,573	<b>7,201,573</b>	9,801,452	<b>9,801,452</b>
<b>2. INTER-BANK LOANS</b>		<b>385,214,210</b>		<b>63,217,866</b>
a) sight credits	196,037,596		8,675,963	
b) other credits	189,176,614		54,541,903	
<b>3. CUSTOMER LOANS</b>	17,347,384	<b>17,347,384</b>	18,080,996	<b>18,080,996</b>
<b>4. BONDS AND OTHER DEBT SECURITIES</b>		<b>227,729,802</b>		<b>419,288,677</b>
a) issued by public bodies	5,839,209		75,262,721	
b) issued by banks	180,152,097		271,620,504	
c) issued by financial institutions	14,669,033		48,555,958	
d) issued by other bodies	27,069,463		23,849,494	
<b>5. SHARES, QUOTAS AND OTHER CAPITAL SECURITIES</b>	2,973,674	<b>2,973,674</b>	2,973,674	<b>2,973,674</b>
<b>6. HOLDINGS</b>	325,425	<b>325,425</b>	254,682	<b>254,682</b>
<b>7. HOLDINGS IN GROUP BUSINESSES</b>	0	<b>0</b>	0	<b>0</b>
<b>8. INTANGIBLE FIXED ASSETS</b>	89,222	<b>89,222</b>	45,724	<b>45,724</b>
<b>9. TANGIBLE FIXED ASSETS (net of funds)</b>		<b>5,861,472</b>		<b>5,933,445</b>
a) owned assets	5,861,472		5,933,445	
aa) electronic office devices	64,414		41,270	
ab) electric office machines	536		421	
ac) office furniture and furnishings	173,096		175,844	
ad) miscellaneous equipment	6,121		3,269	
ae) systems and fittings	158,274		82,147	
af) motor vehicles	67,688		9,648	
ag) real property	4,605,879		4,825,207	
ah) pluriennial costs for real property	779,164		789,339	
aj) other owned property	6,300		6,300	
<b>10. OTHER ASSETS</b>	5,208,774	<b>5,208,774</b>	1,802,044	<b>1,802,044</b>
<i>from rounding off in euro units</i>	1		0	
<b>11. ACCRUED REVENUES AND DEFERRED EXPENSES</b>		<b>3,940,356</b>		<b>6,320,256</b>
a) accrued revenues	3,842,454		6,232,269	
b) deferred expenses	97,902		87,987	
<b>TOTAL ASSETS</b>		<b>655,891,892</b>		<b>527,718,816</b>

# BALANCE SHEET

## LIABILITIES



FIGURES IN EURO

	2009		2008	
<b>1. DEBTS WITH BANKS</b>	<b>192,688,132</b>		<b>74,995,167</b>	
a) sight debts	184,202,223		74,995,167	
b) term or notice debts	8,485,909		0	
<b>2. DEBTS WITH CUSTOMERS</b>	<b>385,225,862</b>		<b>382,920,621</b>	
a) sight debts	323,225,862		334,692,124	
b) term or notice debts	62,000,000		48,228,497	
<b>3. DEBTS REPRESENTED BY SECURITIES</b>	<b>3,094,125</b>		<b>6,310,517</b>	
a) bonds	0		0	
b) certificates of deposit	0		0	
c) other securities (repurchase agreements)	1,075,400		2,733,000	
d) cheques in circulation	2,018,725		3,577,517	
<b>4. OTHER LIABILITIES</b>	7,478,640	<b>7,478,640</b>	8,933,745	<b>8,933,745</b>
<i>from rounding off in euro units</i>	0		1	
<b>5. ACCRUED EXPENSES AND DEFERRED REVENUES</b>	<b>51,933</b>		<b>745,472</b>	
a) accrued expenses	46,941		741,687	
b) deferred revenues	4,992		3,785	
<b>6. STAFF RETIREMENT ALLOWANCES</b>	436,137	<b>436,137</b>	352,821	<b>352,821</b>
<b>7. RISKS AND COSTS FUNDS</b>	<b>0</b>		<b>0</b>	
a) retirement and similar costs fund	0		0	
b) tax fund	0		0	
c) other funds	0		0	
<b>8. TAXED FUND FOR CREDIT RISKS</b>	0	<b>0</b>	0	<b>0</b>
<b>9. FUND FOR GENERAL BANKING RISKS</b>	40,536,730	<b>40,536,730</b>	27,896,730	<b>27,896,730</b>
<b>10. ENDOWMENT FUND</b>	12,911,425	<b>12,911,425</b>	12,911,425	<b>12,911,425</b>
<b>11. ISSUE PREMIUM</b>	0	<b>0</b>	0	<b>0</b>
<b>12. RESERVES</b>	<b>12,498,725</b>		<b>11,754,974</b>	
a) ordinary reserves	3,930,567		3,571,629	
b) extraordinary reserves	8,313,082		7,999,012	
c) other reserves	255,076		184,333	
<b>13. NET PROFIT</b>	<b>970,183</b>		<b>897,344</b>	
<b>TOTAL LIABILITIES</b>	<b>655,891,892</b>		<b>527,718,816</b>	



FIGURES IN EURO

## GUARANTEES AND COMMITMENTS

	2009	2008
<b>GUARANTEES ISSUED</b>		
a) acceptances	0	0
b) other guarantees	8,845,373	9,048,976
<b>GUARANTEES RECEIVED</b>		
a) acceptances	0	0
b) other guarantees	129,399,138	35,581,189
<b>COMMITMENTS</b>		
a) sales with repurchase obligation	1,078,963	2,778,606
b) purchases with transfer obligation	0	0
c) foreign currencies and securities to be received	18,463,436	0
d) foreign currencies and securities to be delivered	13,926	0
e) other commitments	417,134	417,134
<b>TOTAL COMMITMENTS AND RISKS</b>	<b>158,217,970</b>	<b>47,825,904</b>

## SUSPENSE ACCOUNTS

	2009	2008
<b>ASSET MANAGEMENT</b>	0	0
<b>SECURITIES CUSTODY AND MANAGEMENT</b>		
a) deposited third party securities	17,001,753	15,008,387
b) third party securities deposited with third parties	58,260,283	2,875,294
c) owned securities deposited with third parties	224,613,524	425,238,524
d) owned valuables in bank vault	140,893	140,893
<b>OTHER OPERATIONS</b>	102,353,407	88,479,309
<b>TOTAL SUSPENSE ACCOUNTS</b>	<b>402,369,860</b>	<b>531,742,407</b>

# PROFIT AND LOSS ACCOUNT



FIGURES IN EURO

	2009	2008
<b>1. INTEREST RECEIVED AND PROCEEDS</b>	<b>11,867,728</b>	<b>20,698,414</b>
a) on inter-bank loans	469,322	1,955,796
b) on customer loans	1,771,459	1,008,546
c) on Government securities and bonds	9,626,947	17,734,072
<b>2. INTEREST PAID AND COSTS</b>	<b>-2,569,130</b>	<b>-9,669,810</b>
a) on debts with banks	-340,446	-1,973,886
b) on debts with customers	-2,189,267	-7,587,613
c) on debts represented by securities (repos)	-39,417	-108,311
<b>3. DIVIDENDS AND OTHER PROCEEDS</b>	<b>0</b>	<b>0</b>
a) on shares, quotas and other capital securities	0	0
b) on holdings	0	0
c) on holdings in group businesses	0	0
<b>4. COMMISSIONS EARNED</b>	<b>3,035,582</b>	<b>3,033,125</b>
<b>5. COMMISSIONS PAID</b>	<b>-66,589</b>	<b>-73,083</b>
<b>6. PROFITS (LOSSES) FROM FINANCIAL OPERATIONS</b>	<b>8,937,072</b>	<b>-6,134,025</b>
<b>7. OTHER OPERATING PROCEEDS</b>	<b>2,440,585</b>	<b>1,698,375</b>
<b>8. OTHER OPERATING COSTS</b>	<b>-183,281</b>	<b>-35,120</b>
<b>9. ADMINISTRATIVE COSTS</b>	<b>-9,435,478</b>	<b>-7,186,756</b>
a) labour costs	-5,983,802	-4,597,438
aa) wages and salaries	-3,630,837	-2,923,240
ab) pension contributions	-1,107,278	-832,424
ac) retirement allowances	-439,162	-352,821
ad) severance indemnity-related costs	0	0
ae) other labour costs	-806,525	-488,953
b) other administrative costs	-3,451,676	-2,589,318
<b>10. VALUE ADJUSTMENTS ON INTANGIBLE AND TANGIBLE FIXED ASSETS</b>	<b>-457,927</b>	<b>-385,803</b>
<b>11. PROVISIONS FOR RISKS AND COSTS</b>	<b>0</b>	<b>0</b>
<b>12. VALUE ADJUSTMENTS ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS</b>	<b>0</b>	<b>0</b>
<b>13. VALUE RECOVERIES ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS</b>	<b>0</b>	<b>0</b>
<b>14. PROVISIONS TO CREDIT RISKS FUNDS</b>	<b>0</b>	<b>0</b>
<b>15. VALUE ADJUSTMENTS ON FINANCIAL ASSETS</b>	<b>0</b>	<b>-47,231</b>
<b>16. VALUE RECOVERIES ON FINANCIAL ASSETS</b>	<b>0</b>	<b>0</b>



	€	
		FIGURES IN EURO
	2009	2008
17. PROFIT (LOSS) ON ORDINARY ACTIVITIES	13,568,562	1,898,086
18. EXTRAORDINARY PROCEEDS	48,587	10,792
<i>from rounding off in euro units</i>	1	0
19. EXTRAORDINARY COSTS	-6,966	-11,534
<i>from rounding off in euro units</i>	0	2
20. EXTRAORDINARY PROFIT (LOSS)	41,621	-742
21. VARIATION TO THE GENERAL BANKING RISKS FUND	-12,640,000	-1,000,000
22. INCOME TAX FOR THE FINANCIAL YEAR	0	0
23. PROFIT (LOSS) FOR THE FINANCIAL YEAR	970,183	897,344

# RECLASSIFIED PROFIT AND LOSS ACCOUNT



FIGURES IN EURO

	2009	2008
<b>1. INTEREST RECEIVED</b>	<b>2,240,781</b>	<b>2,964,342</b>
1.1 FROM CUSTOMERS	1,771,459	1,008,546
1.2 FROM BANKS	469,322	1,955,796
1.2.1 CURRENT ACCOUNT AND SIGHT DEPOSITS	130,752	400,293
1.2.2 TERM DEPOSITS AND REPOS	338,750	1,465,676
1.2.3 OTHER INTERESTS	0	89,827
<b>2. INTEREST ON SECURITIES</b>	<b>9,626,947</b>	<b>17,734,072</b>
<b>3. DIVIDENDS AND OTHER PROCEEDS</b>	<b>0</b>	<b>0</b>
<b>4. INTEREST PAID</b>	<b>-2,569,130</b>	<b>-9,669,810</b>
4.1 TO CUSTOMERS	-2,228,684	-7,695,924
4.1.1 CURRENT ACCOUNT AND SIGHT DEPOSITS	-1,552,416	-5,659,288
4.1.2 TERM DEPOSITS AND REPOS	-676,268	-2,036,636
4.2 TO BANKS	-340,446	-1,973,886
4.3 OTHER INTERESTS AND COSTS	0	0
<b>A. MONEY MANAGEMENT MARGIN</b>	<b>9,298,598</b>	<b>10,028,604</b>
<b>5. PROCEEDS FROM FINANCIAL OPERATIONS</b>	<b>10,012,560</b>	<b>6,561,826</b>
<b>6. FINANCIAL OPERATION COSTS</b>	<b>-1,075,488</b>	<b>-12,695,851</b>
<b>B. FINANCIAL MANAGEMENT MARGIN</b>	<b>18,235,670</b>	<b>4,894,579</b>
<b>7. OTHER OPERATING PROCEEDS</b>	<b>3,069,843</b>	<b>3,137,382</b>
7.1 PROCEEDS FROM SECURITIES MANAGEMENT	86	4
7.2 PROCEEDS FROM FOREIGN CURRENCIES MANAGEMENT	0	0
7.3 OTHER PROCEEDS	3,069,757	3,137,378
<b>8. OTHER OPERATING COSTS</b>	<b>-249,560</b>	<b>-108,154</b>
8.1 SECURITIES MANAGEMENT COSTS	-50,575	-58,787
8.2 FOREIGN CURRENCIES MANAGEMENT COSTS	0	0
8.3 OTHER COSTS	-198,985	-49,367
<b>C. GROSS CONTRIBUTION MARGIN</b>	<b>21,055,953</b>	<b>7,923,807</b>
<b>9. OTHER PROCEEDS</b>	<b>2,386,045</b>	<b>1,534,378</b>
from rounding off in euro units		0
<b>10. LABOUR COSTS</b>	<b>-5,963,523</b>	<b>-4,537,699</b>
10.1 CLERICAL	-2,401,030	-1,997,534
10.2 MANAGEMENT AND OFFICERS	-1,229,807	-925,706
10.3 PENSION CONTRIBUTIONS	-1,107,278	-832,424
10.4 PROVISION TO RETIREMENT FUND	-439,162	-352,821
10.5 MISC. PERSONNEL COSTS	-806,525	-488,953
(minus PERSONNEL EXPENSES REIMBURSEMENTS)	20,279	59,739
<b>11. DEPRECIATION AND PROVISIONS</b>	<b>-457,927</b>	<b>-385,803</b>
<b>12. OTHER COSTS</b>	<b>-3,451,775</b>	<b>-2,589,368</b>
from rounding off in euro units	0	2

	€	
		<i>FIGURES IN EURO</i>
	2009	2008
D. ORDINARY MANAGEMENT MARGIN	13,568,774	1,945,315
13. EXTRAORDINARY OPERATING PROCEEDS	7,046	0
14. EXTRAORDINARY OPERATING COSTS	-211	-47,231
E. GROSS OPERATING MARGIN	13,575,609	1,898,084
15. WINDFALL PROCEEDS	41,540	10,792
16. WINDFALL COSTS	-6,966	-11,532
F. PRE-PROVISION PROFITS	13,610,183	1,897,344
17. PROVISION TO THE GENERAL BANKING RISKS FUND	-12,640,000	-1,000,000
18. USE OF MISCELLANEOUS FUNDS	0	0
G. PRE-TAX PROFITS	970,183	897,344
19. INCOME TAXES	0	0
H. NET PROFITS	970,183	897,344



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## NOTES TO THE FINANCIAL STATEMENTS





## NOTES TO THE FINANCIAL STATEMENTS

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### STRUCTURE AND CONTENTS OF THE FINANCIAL STATEMENTS

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#### Part A - Valuation Criteria

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## STRUCTURE AND CONTENTS OF THE FINANCIAL STATEMENTS

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The Balance Sheet and Financial Statements for 2009 have been drawn up in accordance with the laws currently in force (Law 96 of 29th June 2005 – Statutes of the Central Bank of the Republic of San Marino, Law 165 of 17th November 2005 – the Law on Companies and Banking, Financial and Insurance Services, Law 47 of 23rd February 2006 – and the Law Concerning 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.

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 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 facilitate readers' analysis of the data, both in the Balance sheet as well as in the Tables contained in the Notes, comparison has been made between the current year's figures and 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 that document, 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 following the general criteria for bank statements.

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

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## Part A - Valuation criteria

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### SECTION 1 - ILLUSTRATION OF THE VALUATION CRITERIA

The 2009 Balance sheet 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 the 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

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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 under both “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 was valued following the criteria of choosing the lesser value of either: their purchase price, calculated by the LIFO method with annual increments, or their market value, calculated according to average prices from the month of December. The market value applied was the Xtrakter company’s quotations or - where the aforesaid were not available - the following solution:

a) the quotations provided by market makers on the basis of the rate curves and the spread of benchmark securities having analogous characteristics, or;

b) by comparison with securities quotations 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 official price for the latter was the lower value on 31st December 2009.

- Off-balance-sheet operations: on 31<sup>st</sup> December 2009 no default swaps existed.

#### 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 holding. 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 holding. 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.

#### ASSETS AND LIABILITIES IN FOREIGN CURRENCY

The assets and liabilities denominated in foreign currencies appear 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 2009 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

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statements from previous years. The latter 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 of the closure date of the present Financial Statements, no amounts have been entered onto the Balance Sheet for the “Risks and costs funds”.

Similar to 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.

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)

	2009	2008
cash and other valuables	7,201,573	9,801,452

The cash account is composed of banknotes and coins totalling 7,200,163 euro, 60 Swiss francs worth the equivalent of 40 euro and 1,973 U.S. dollars worth the equivalent of 1,370 euro.

##### 1.2 INTER-BANK LOANS (BREAKDOWN OF ITEM 2)

	2009	2008
inter-bank loans	385,214,210	63,217,866
- sight credits	196,037,596	8,675,963
- other credits	189,176,614	54,541,903

The "Inter-bank Loans" item may be broken down as follows in terms of the technical nature and currency of the items therein:

	EURO		OTHER CURRENCIES		TOTAL	
	2009	2008	2009	2008	2009	2008
<i>sight credits</i>						
- current accounts	195,521,348	8,434,206	516,247	241,757	196,037,596	8,675,963
- other technical forms	0	0	0	0	0	0
<i>other credits</i>						
- term deposits	87,302,395	54,541,903	1,874,219	0	89,176,614	54,541,903
- securities lending	100,000,000	0	0	0	100,000,000	0
<b>Total</b>	<b>382,823,743</b>	<b>62,976,109</b>	<b>2,390,466</b>	<b>241,757</b>	<b>385,214,210</b>	<b>63,217,866</b>
<i>of which:</i>						
- with non-residents	282,823,743	62,976,109	2,390,466	241,757	285,214,210	63,217,866
- with residents	100,000,000	0	0	0	100,000,000	0

The variations in the items are due to the actions taken by the bank to assure the liquidity of San Marino's financial system. As set down by the Central Bank Statutes "the granting of credit to supervised parties working in the territory of the Republic (is to be) adequately assured by guarantees" of a real nature.

The "Accrued Interest" accrued and matured amounted to 32,765 euro; as in last year's balance sheet, this amount was included under the "Inter-Bank Loans" item.

##### 1.3 CUSTOMER LOANS (BREAKDOWN OF ITEM 3)

	2009	2008
customer loans	17,347,384	18,080,996



FIGURES IN EURO

The technical form and currency of the "Customer Loans" item may be broken down as follows:

	EURO		OTHER CURRENCIES		TOTAL	
	2009	2008	2009	2008	2009	2008
- current accounts	109,449	161,395	0	0	109,449	161,395
- mortgage loans	531,304	599,992	0	0	531,304	599,992
- other mortgages	16,706,631	17,319,609	0	0	16,706,631	17,319,609
- other credits	0	0	0	0	0	0
<b>Total</b>	<b>17,347,384</b>	<b>18,080,996</b>	<b>0</b>	<b>0</b>	<b>17,347,384</b>	<b>18,080,996</b>
<i>of which:</i>						
- granted to non-resident customers	0	0	0	0	0	0
- granted to resident customers	17,347,384	18,080,996	0	0	17,347,384	18,080,996

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 dependent employees of the Central Bank, while the "Other Mortgages" item encompasses the remaining portion of the loans granted to the Public Administration.

## SECTION 2 - SECURITIES

Property securities appear in the Balance Sheet under the following items:

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

	2009	2008
bonds and other debt securities	227,729,802	419,288,677
- issued by public bodies	5,839,209	75,262,721
- issued by banks	180,152,097	271,620,504
- issued by financial institutions	14,669,033	48,555,958
- issued by other bodies	27,069,463	23,849,494

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

	2009	2008
shares, quotas and other capital securities	2,973,674	2,973,674

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

	Balance Sheet value		market value	
	2009	2008	2009	2008
1. <i>debt securities</i>	227,729,802	419,288,677	232,623,138	421,910,063
1.1 Government securities	0	0	0	0
1.2 other securities	227,729,802	419,288,677	232,623,138	421,910,063
2. <i>capital securities</i>	2,973,674	2,973,674	3,474,612	3,264,461



FIGURES IN EURO

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 5.4 million euro. As per the accounting principle of prudence, the latter figure has not been entered onto the Balance Sheet.

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

	2009	2008
<b>A. Initial balance</b>	<b>422,262,351</b>	<b>354,069,890</b>
<b>B. Increases</b>	<b>863,018,577</b>	<b>853,327,474</b>
B.1 purchases	852,600,608	846,462,884
- debts securities	852,600,608	846,462,884
<i>Government securities</i>	0	0
<i>other securities</i>	852,600,608	846,462,884
- capital securities	0	0
B.2 value recoveries and revaluations	0	0
B.3 transfers from investment portfolio	0	0
B.4 other variations	10,417,969	6,864,591
<b>C. Decreases</b>	<b>1,054,577,452</b>	<b>785,135,013</b>
C.1 sales and refunds	1,053,501,964	772,439,162
- debts securities	1,053,501,964	772,439,162
<i>Government securities</i>	0	0
<i>other securities</i>	1,053,501,964	772,439,162
- capital securities	0	0
C.2 value adjustments	127,266	8,860,415
C.3 transfers from investment portfolio	0	0
C.4 other variations	948,222	3,835,436
<b>D. Final balance</b>	<b>230,703,476</b>	<b>422,262,351</b>

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

**Item B.1: Purchases**

these related to:

- issue margins due, as of the negotiation date, on non-listed fixed income securities for a total of 901,293 euro.

**Item B.4: Other variations**

these relate to:

- profits from securities negotiation for a total of 9,998,045 euro;

- issue margins amounting to 419,925 euro, for non-listed, fixed income securities.

**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 2,267,881 euro and  
 - issue margins due as of the negotiation date on fixed-income, non-listed securities for a total of 1,419,239 euro.

**Item C.2: Value adjustments and devaluations**

this concerns:

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

**Item C.4: Other variations**

this concerns:

- losses from securities negotiation.



FIGURES IN EURO

## SECTION 3 - HOLDINGS

**3.1 HOLDINGS (BREAKDOWN OF ITEM 6)**

	2009	2008
holdings	325,425	254,682

The Central Bank has capital holdings in the firm S.p.A. ISIS to the extent illustrated in the chart below:

Name and headquarters	Profits/Losses on 31/12/09	Net equity on 31/12/09	Quota %	Balance Sheet value
<b>main holdings</b>				
- S.p.A. ISIS (San Marino)	144,638	665,354	48.91	325,425

The amounts relative to the net equity and to the balance sheet figures of the firm in which holdings exist have been shown as per that company's balance sheet proposal for 2009.

It should be pointed out that the "Profit/Loss on 31/12/09" item is included in the net equity value and was taken into consideration to the end of determining the balance sheet value.

The annual variations in the holdings have been listed in the following table:

	2009	2008
<b>A. Initial balance</b>	<b>254,682</b>	<b>204,544</b>
<b>B. Increases</b>	<b>70,743</b>	<b>97,369</b>
B.1 purchases	0	0
B.2 value recoveries	0	0
B.3 revaluations	70,743	97,369
B.4 other variations	0	0
<b>C. Decreases</b>	<b>0</b>	<b>47,231</b>
C.1 sales	0	0
C.2 value adjustments	0	47,231
C.3 other variations	0	0
<b>D. Final balance</b>	<b>325,425</b>	<b>254,682</b>
<b>E. Total revaluations</b>	<b>255,075</b>	<b>184,333</b>
<b>F. Total adjustments</b>	<b>181,929</b>	<b>181,929</b>

It is important to point out the following regarding the chart above:

**Item B.3: Revaluations**

This includes the increase of 70,743 euro in the equity of the firm S.p.A. ISIS, calculated on its 2009 balance sheet data.

**Item E.: Total revaluations**

these relate to:

- past revaluations in the holdings of the firm Cestud S.p.A. for a total of 22,441 euro;
- past revaluations in the holdings of the firm S.p.A. ISIS for a total of 232,634 euro.

**Item F.: Total adjustments**

this includes past devaluations of holdings in the firm S.p.A. ISIS totalling 134,698 euro, carried out and paid for in past balance sheet, as well as the total devaluation of the holdings in the firm CESTUD S.p.A. for a total of 47,231 euro.





FIGURES IN EURO

## SECTION 4 - INTANGIBLE AND TANGIBLE FIXED ASSETS, AND LEASING

### 4.1 INTANGIBLE FIXED ASSETS (BREAKDOWN OF ITEM 8)

	2009	2008
intangible fixed assets	89,222	45,724

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

Type of good	2009			2008		
	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	3,692,427	3,603,205	89,222	3,579,104	3,533,380	45,724
concession patents/licenses/brands	1,250	1,250	0	1,250	1,250	0

Balance Sheet movements can be broken down as follows:

	2009	2008
<b>A. Initial balance</b>	<b>45,724</b>	<b>49,915</b>
<b>B. Increases</b>	<b>113,322</b>	<b>41,021</b>
B.1 purchases	113,322	41,021
B.2 value recoveries	0	0
B.3 revaluations	0	0
B.4 other variations	0	0
<b>C. Decreases</b>	<b>69,824</b>	<b>45,213</b>
C.1 sales	0	0
C.2 value adjustments	69,824	45,213
- depreciations	69,824	45,213
- lasting devaluations	0	0
C.3 other variations	0	0
<b>D. Final balance</b>	<b>89,222</b>	<b>45,724</b>

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

#### Item B.1: Purchases

This includes the cost of softwares for a total of 113,322 euro.

#### Item C.2: Value adjustments

This is comprehensive of the depreciation quotas totalling 69,824 euro, calculated following the direct method.

### 4.2 TANGIBLE FIXED ASSETS (BREAKDOWN OF ITEM 9)

	2009	2008
tangible fixed assets	5,861,472	5,933,445
- owned assets	5,861,472	5,933,445



FIGURES IN EURO

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

Type of good	2009			2008		
	Original cost	Depreciation fund	Balance Sheet value	Original cost	Depreciation fund	Balance Sheet value
owned assets						
- essential buildings	5,483,190	877,310	<b>4,605,879</b>	5,483,190	657,983	<b>4,825,207</b>
- pluriennial costs on buildings	853,713	74,549	<b>779,164</b>	829,740	40,401	<b>789,339</b>
- furnitures and furnishings	686,796	513,700	<b>173,096</b>	648,331	472,487	<b>175,844</b>
- systems and fittings	828,322	670,048	<b>158,274</b>	747,162	665,016	<b>82,147</b>
- electronic devices	747,325	682,911	<b>64,414</b>	696,714	655,444	<b>41,270</b>
- misc. equipment	57,083	50,963	<b>6,121</b>	50,259	46,990	<b>3,269</b>
- motor vehicles	106,200	38,512	<b>67,688</b>	39,913	30,265	<b>9,648</b>
- electric machinery	11,177	10,641	<b>536</b>	10,770	10,349	<b>421</b>
- other owned goods	6,300	0	<b>6,300</b>	6,300	0	<b>6,300</b>

The Balance Sheet movements can be summarized as follows:

	2009	2008
<b>A. Initial balance</b>	<b>5,933,445</b>	<b>5,296,566</b>
<b>B. Increases</b>	<b>317,098</b>	<b>977,468</b>
B.1 purchases	317,098	977,468
B.2 value recoveries	0	0
B.3 revaluations	0	0
B.4 other variations	0	0
<b>C. Decreases</b>	<b>389,069</b>	<b>340,590</b>
C.1 sales	967	0
C.2 value adjustments	388,102	340,590
- depreciations	388,102	340,590
- lasting devaluations	0	0
C.3 other variations	0	0
<b>D. Final balance</b>	<b>5,861,474</b>	<b>5,933,445</b>

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

#### Item B.1: Purchases

Includes the cost of the purchase of:

- furniture and furnishings for a total of 38,465 euro;
- refurbishing and modernisation of buildings totalling 23,974 euro;
- electronic devices totalling 59,833 euro;
- motor vehicles totalling 78,581 euro;
- machinery, systems and fittings totalling 109,014 euro;
- electric machinery totalling 407 euro;
- misc. equipment totalling 6,824 euro.

#### Item C.1: Sales

This includes the residual value to be depreciated for the assets sold during 2009.

#### Item C.2: Depreciation

The depreciation carried out has been calculated on rates that take into account the residual product life of the assets, as found in the fiscal legislation currently in force.



FIGURES IN EURO

## SECTION 5 - OTHER ASSETS

### 5.1 OTHER ASSETS (BREAKDOWN OF ITEM 10)

	2009	2008
other assets	5,208,774	1,802,044
from rounding off in euro units	1	

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

	2009	2008
credit with the State:	<b>413,970</b>	<b>10,030</b>
- advances on General Income Tax	0	0
- higher taxes paid out for previous financial years	413,970	10,030
fees to be debited to:	<b>86,381</b>	<b>98,526</b>
- banks	86,381	98,526
- customers	0	0
c/a cheques drawn on other banks	<b>343,033</b>	<b>572,681</b>
other credit and miscellaneous items	<b>4,365,389</b>	<b>1,120,808</b>
<b>Total</b>	<b>5,208,773</b>	<b>1,802,044</b>

The "other credits and miscellaneous items" entry is made up of the credits for charges levied for supervision costs of 1,246,226 euro for 2009, which the supervised parties are obliged to pay back to the Central Bank. Furthermore included are the payment that the Public Administration agreed upon with the Central Bank for services provided. The economic side of the agreement was signed on 28th December 2009 and for this reason was considered according to the principle of pertinence, as it has not yet been settled.

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

	2009	2008
accrued revenues and deferred expenses	<b>3,940,356</b>	<b>6,320,256</b>
- accrued revenues	3,842,454	6,232,269
- deferred expenses	97,902	87,987

This entry can be broken down as follows:

	2009	2008
accrued revenues deriving from:	<b>3,842,454</b>	<b>6,232,269</b>
- interest on bank deposits	0	0
- interest on securities	2,489,029	6,223,552
- interest on mortgages	1,353,425	8,718
deferred expenses deriving from:	<b>97,902</b>	<b>87,987</b>
- insurance premiums	63,778	54,525
- other sources	34,124	33,462
<b>Total</b>	<b>3,940,356</b>	<b>6,320,256</b>

Under the "other deferred expenses" are primarily listed the expenses calculated on maintenance contracts and leasing costs.



FIGURES IN EURO

## SECTION 6 - DEBTS

**6.1 DEBTS WITH BANKS (BREAKDOWN OF ITEM 1)**

	2009	2008
debts with banks	<b>192,688,132</b>	<b>74,995,167</b>
- sight debts	184,202,223	74,995,167
- term or notice debts	8,485,909	0

The following is the break down of the "Debts with banks" entry, organised according to technical form and currency:

	EURO		OTHER CURRENCIES		TOTAL	
	2009	2008	2009	2008	2009	2008
<i>sight debts</i>						
- current accounts	182,398,672	64,930,750	1,803,551	10,064,416	<b>184,202,223</b>	<b>74,995,167</b>
<i>term or notice debts</i>						
- time deposits	8,000,000	0	485,909	0	<b>8,485,909</b>	<b>0</b>
<b>Total</b>	<b>190,398,672</b>	<b>64,930,750</b>	<b>2,289,460</b>	<b>10,064,416</b>	<b>192,688,132</b>	<b>74,995,167</b>
<i>of which:</i>						
- with residents	190,398,672	64,930,750	2,289,460	10,064,416	<b>192,688,132</b>	<b>74,995,167</b>
- with non-residents	0	0	0	0	<b>0</b>	<b>0</b>

The introduction of an obligatory reserve for financial institutions has contributed to the increase in the amounts therein. As in the Balance sheet last year, the "Interest paid to banks" item accrued and matured at the end of the Balance Sheet period was entered under the "Debts with banks"; the present amount is 58,371 euro.

**6.2 DEBTS WITH CUSTOMERS (BREAKDOWN OF ITEM 2)**

	2009	2008
debts with customers	<b>385,225,862</b>	<b>382,920,621</b>
- sight debts	323,225,862	334,692,124
- term or notice debts	62,000,000	48,228,497

"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	
	2009	2008	2009	2008	2009	2008
<i>sight debts</i>						
- current accounts	323,159,695	334,653,199	66,167	38,925	<b>323,225,862</b>	<b>334,692,124</b>
- time deposits	62,000,000	48,228,497	0	0	<b>62,000,000</b>	<b>48,228,497</b>
<b>Total</b>	<b>385,159,695</b>	<b>382,881,696</b>	<b>66,167</b>	<b>38,925</b>	<b>385,225,862</b>	<b>382,920,621</b>
<i>of which</i>						
- with residents	384,890,567	334,348,457	66,167	37,518	<b>384,956,734</b>	<b>334,385,975</b>
- with non-residents	269,128	304,741	0	1,407	<b>269,128</b>	<b>306,149</b>



FIGURES IN EURO

#### 6.3 DEBTS REPRESENTED BY SECURITIES (BREAKDOWN OF ITEM 3)

	2009	2008
debts represented by securities	<b>3,094,125</b>	<b>6,310,517</b>
- bonds	0	0
- certificates of deposit	0	0
- other securities	1,075,400	2,733,000
- cheques in circulation	2,018,725	3,577,517

"Other securities" represents the debt existing on 31<sup>st</sup> December 2009 for financing repurchase agreement operations.

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)

	2009	2008
staff retirement allowances	436,137	352,821

This entry 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:

	2009	2008
<b>Balance on 1<sup>st</sup> January</b>	<b>352,821</b>	<b>300,871</b>
Decreases		
- <i>used to pay retirement allowances to staff</i>	352,821	300,871
Increases		
- <i>provisions made for financial year</i>	436,137	352,821
<b>Balance on 31<sup>st</sup> December</b>	<b>436,137</b>	<b>352,821</b>

Pursuant to current employment contracts, the retirement allowances accrued during the 2008 Balance Sheet period were paid out in full to dependent staff members by the deadline of 31<sup>st</sup> March 2010.

#### 7.2 RISKS AND COSTS FUNDS (BREAKDOWN OF ITEM 7)

This has not been addressed, given that no balance exists for the item.

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

This has not been addressed, given that no balance exists 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)**

	2009	2008
fund for general banking risks	40,536,730	27,896,730

The amounts in the Fund changed as follows during the Balance Sheet period:

	2009	2008
<b>Balance on 1<sup>st</sup> January</b>	<b>27,896,730</b>	<b>26,896,730</b>
Decreases	0	0
- use of fund	0	0
Increases	12,640,000	1,000,000
- provision made for the financial year	12,640,000	1,000,000
<b>Balance on 31<sup>st</sup> December</b>	<b>40,536,730</b>	<b>27,896,730</b>

In 2009 equity was further consolidated by the provision to the Fund for General Banking Risks of 12,640,000 euro.

**8.2 ENDOWMENT FUND (BREAKDOWN OF ITEM 10)**

	2009	2008
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 balance exists for the item.

**8.4 RESERVES (BREAKDOWN OF ITEM 12)**

	2009	2008
reserves	12,498,725	11,754,974
- ordinary reserves	3,930,567	3,571,629
- extraordinary reserves	8,313,082	7,999,012
- other reserves	255,076	184,333

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 reserves, 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 contribute to the equity of the Central Bank.



FIGURES IN EURO

#### 8.5 NET PROFIT (BREAKDOWN OF ITEM 13)

	2009	2008
net profit	970,183	897,344

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)

	2009	2008
other liabilities	7,478,640	8,933,745

The following is a detailed description of this entry:

	2009	2008
debts for supplies, services	408,524	591,903
debts with the State:	132,002	600,927
- direct taxes to be paid as withholding agent	131,249	593,992
- indirect taxes	753	6,936
debts for fees paid to "Council Members and Statutory Auditors"	90,863	85,057
debts with the ISS and the FSS	186,400	163,816
invoices to be received	267,537	166,825
debts with dependent employees	1,385,326	898,033
sums at the disposal of third parties:	4,972,549	6,391,503
- customers	4,956,669	6,389,394
- banks	15,880	2,111
other debts and miscellaneous items	35,439	35,677
<i>Rounded-off sums from maintaining balance sheet in euro units</i>	0	1
<b>Total</b>	<b>7,478,640</b>	<b>8,933,745</b>

"Sums at the disposal of third parties" refers almost exclusively to Treasury receipts which—due to the time required for processing—have yet to be credited to their relative current accounts.

As in the Balance sheet last year, the accrued and matured "Interest paid to banks" was included in the "Debts with Banks" item.

The entry "Other debts and miscellaneous items" figure is almost exclusively composed of 2009 consultancy fees that will be paid out in the forthcoming financial year.

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

	2009	2008
accrued expenses and deferred revenues	51,933	745,472
- accrued expenses	46,941	741,687
- deferred revenues	4,992	3,785



FIGURES IN EURO

This item may be broken down as follows:

	2009	2008
accrued expenses on:	<b>46,941</b>	<b>741,687</b>
- interest from bank deposits	6,794	0
- interest on customer deposits	38,351	711,505
- interest on repurchase agreements	1,796	30,182
- credit derivatives	0	0
deferred revenues on:	<b>4,992</b>	<b>3,785</b>
- miscellaneous expense recoveries	4,992	3,785
<b>Total</b>	<b>51,933</b>	<b>745,472</b>

## SECTION 10 - GUARANTEES AND COMMITMENTS

### 10.1 GUARANTEES ISSUED AND RECEIVED

	2009	2008
guarantees issued	8,845,373	9,048,976
guarantees received	129,399,138	35,581,189

Under the item "Guarantees issued" are a bank suretyship issued on behalf of the Public Administration to various Bodies. The "Guarantees received" item contains those relative to financing granted and entered under the "Credits with Banks" item, the limits on the availability of the Public Administration accounts and those relative to the delay in the collection of amounts for overdue Tax Collection services.

### 10.2 COMMITMENTS

	2009	2008
sales with repurchase obligation	1,078,963	2,778,606
purchases with transfer obligation	0	0
foreign currencies and securities to be received	18,463,436	0
foreign currencies and securities to be delivered	13,926	0
other commitments	417,134	417,134
<b>Total</b>	<b>19,973,459</b>	<b>3,195,740</b>

The "Sales with repurchase obligation" item refers to the repurchase operations existing on 31st December 2009, entered at their final swap value, net of withholding taxes and expenses.

## SECTION 11 - CONCENTRATION AND DISTRIBUTION OF ASSETS AND LIABILITIES

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

This has not been addressed, given that no balance exists for the item.

### 11.2 TERRITORIAL DISTRIBUTION OF ASSETS AND LIABILITIES

This has not been addressed, given that no balance exists for the item.

### 11.3 TIME DISTRIBUTION OF ASSETS AND LIABILITIES

This has not been addressed, given that no balance exists for the item.

### 11.4 ASSETS AND LIABILITIES IN FOREIGN CURRENCIES

This has not been addressed, given that no balance exists for the item.





FIGURES IN EURO

## SECTION 12 - MANAGEMENT AND INTERMEDIATION FOR THIRD PARTIES

### 12.1 ASSET MANAGEMENT

This has not been addressed, given that no balance exists for the item.

### 12.2 SECURITIES CUSTODY AND MANAGEMENT

This has not been addressed, given that no balance exists for the item.

### 12.3 OTHER OPERATIONS

	2009	2008
asset management	0	0
securities custody and management	300,016,453	443,263,098
other operations	102,353,407	88,479,309
<b>Total</b>	<b>402,369,860</b>	<b>531,742,407</b>

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

<b>Deposited third party securities</b>	<b>75,262,036</b>
third party securities in vault:	
- securities and savings books deposited for customers	94,969
- finance bills issued by the Republic of San Marino for the IMF and the World Bank	14,491,938
- notes payable	941
- bonds, shares and similar securities	2,413,905
Third party securities deposited with third parties	58,260,283
<b>Owned securities deposited with third parties</b>	<b>224,613,524</b>
- bonds and similar securities	221,639,850
- owned mutual fund quotas deposited with third parties	2,972,211
- shares	1,463
<b>Owned securities deposited in vault</b>	<b>140,893</b>
- shares	140,893
<b>Total</b>	<b>300,016,453</b>

The "third party securities deposited with third parties" item contains - besides the amount from the sale of Central Bank dependent employee securities - the financial instruments deposited by San Marino banks as an obligatory reserve fund (Law Decree 162 of 3rd December 2009).

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

- ruoli IGR (tax rolls): being collected	10,188,285
- Mano Regia: being collected	4,200,600
- Overdue Tax Collection Dept.: being collected	87,798,101
- third party goods deposited with third parties	166,420
<b>Total</b>	<b>102,353,407</b>

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 subsequent to Law 91 of 13th 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 70/2004 and subsequent changes thereto;
- goods garnished by the Esattoria (Overdue Tax Collection Department) of the Central Bank and deposited with third parties, pending sale by auction 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)**

	2009	2008
interest received and proceeds	11,867,728	20,698,414
"Interest income and other proceeds" were accrued on:		
	2009	2008
a) inter-bank loans	469,322	1,955,796
of which: credit in foreign currencies	4,526	180,914
b) customer loans	1,771,459	1,008,546
of which: credit in foreign currencies	0	13
c) Government securities and bonds	9,626,947	17,734,072
of which: bonds, securities in foreign currencies	0	0
<b>Total</b>	<b>11,867,728</b>	<b>20,698,414</b>

The fall in "interest income and other proceeds accrued on Government Securities and bonds" was the result of the decrease in average deposits and the decrease in interest rates.

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

	2009	2008
interest paid and other costs	2,569,130	9,669,810
"Interest paid and other costs" refers to the following liability items:		
	2009	2008
a) debts with banks	340,446	1,973,886
of which: debts in foreign currencies	3,873	168,570
b) debts with customers	2,189,267	7,587,613
of which: debts in foreign currencies	200	5,643
c) debts represented by securities (repurchase agr.mts)	39,417	108,311
of which: repos on securities in foreign currencies	0	0
<b>Total</b>	<b>2,569,130</b>	<b>9,669,810</b>

The fall in the "interest paid and other costs" item was due to the lower deposits in the centralised accounts of San Marino's banks, to the lower availability of liquidity present in the current accounts of the Public Administration and in the decrease in interest rates.

## SECTION 2 - COMMISSIONS

**2.1 COMMISSIONS EARNED (BREAKDOWN OF ITEM 4)**

	2009	2008
commissions earned	3,035,582	3,033,125



FIGURES IN EURO

"Commissions earned" refers to:

	2009	2008
a) management, brokerage and consultancy services:	87	4
1) securities negotiation	87	4
2) custody and management of securities	0	0
b) collection and payment services	3,027,310	3,026,119
c) other services	8,185	7,001
<b>Total</b>	<b>3,035,582</b>	<b>3,033,125</b>

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 agreement signed on 28th December 2009; these amounted to 3,000,000 euro in 2009.

## 2.2 COMMISSIONS PAID (BREAKDOWN OF ITEM 5)

	2009	2008
commissions paid	66,589	73,083

"Commissions paid" refers to:

	2009	2008
a) credit derivatives	0	6,188
b) management and brokerage services	50,575	52,600
1) securities negotiation	0	0
2) securities custody and management	50,575	52,600
c) collection and payment services	3,040	1,204
d) other services	12,974	13,091
<b>Total</b>	<b>66,589</b>	<b>73,083</b>

## SECTION 3 - PROFITS AND LOSSES FROM FINANCIAL OPERATIONS

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

	2009	2008
profits from financial operations	8,937,072	6,134,025

The changes in this entry can be summarised as follows:

	Securities transactions 2009	Foreign currencies transactions 2009	Total 2009
A.1 revaluations	0	0	0
A.2 devaluations	-127,266		-127,266
B. other profits/losses	9,049,822	14,516	9,064,338
<b>Total</b>	<b>8,922,557</b>	<b>14,516</b>	<b>8,937,072</b>
1. Government bonds	0		
2. other debt securities	8,922,557		
3. capital securities	0		



FIGURES IN EURO

**Item A.2: Devaluations**

This represents the value of the capital loss to the securities portfolio on 31st December 2009.

**Item B.: Other profits/losses**

This item refers to the profits and losses due to Securities negotiation, including those occurring upon reimbursement at maturity.

Concerning foreign currency transactions, the item shows the profits entered from transactions in foreign currencies.

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

	2009	2008
administrative costs	9.435.478	7.186.756

"Administrative costs" can be broken down as follows:

	2009	2008
<b>a) Labour costs</b>	<b>5,983,802</b>	<b>4,597,438</b>
- wages and salaries	3,630,837	2,923,240
- pension contributions	1,107,278	832,424
- retirement allowances	439,162	352,821
- other labour costs	768,189	452,776
- training and professional update courses	38,336	36,177
<b>b) other administrative costs</b>	<b>3,451,676</b>	<b>2,589,318</b>
- graphic art work and advertising	39,010	89,984
- insurance	133,953	93,138
- miscellaneous utilities and cleaning of premises	173,052	118,677
- forms, stationary, newspapers and publications	101,576	107,087
- postal, telephone and telex services	179,901	159,736
- expendables and spares	18,376	12,339
- retribution for 'Council Members and Statutory Auditors'	90,863	85,057
- professional consultancy fees	920,194	569,771
- reimbursement: personnel/consultant travel expenses	180,016	167,980
- miscellaneous and varied expenses	316,812	126,390
- rentals, technical assistance, repairs and various services	1,202,601	1,043,872
- association membership and similar fees	11,802	14,586
- rents	83,520	702
<b>Total</b>	<b>9,435,478</b>	<b>7,186,756</b>

"Labour Costs" include expenses for employees who are on leave or have been temporarily transferred. The relative reimbursement for a total of 9,985 euro is listed under item 7 of the Profit and Loss Account, among "Other Operating Proceeds".

The "Other labour costs" reflect staff production premiums, payments for employee holidays due but not taken as of 31st December 2009, and overtime arrears requiring payment. Further data on Central Bank staff may be gained by consulting the Human Resources table (Annex 1).



FIGURES IN EURO

## SECTION 5 - ADJUSTMENTS, RECOVERIES AND PROVISIONS

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

	2009	2008
value adjustment on intangible and tangible fixed assets	457,927	385,803

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

	2009	2008
<b>tangible fixed assets</b>	<b>388,102</b>	<b>340,590</b>
- premises	253,476	252,517
- furnitures, machines and utility systems, misc equip.mts, vehicles	134,626	88,073
<b>intangible fixed assets</b>	<b>69,824</b>	<b>45,213</b>
- concession of patents, brands and rights	0	250
- softwares	69,824	44,963
- installation and extension costs	0	0
- pluriennial costs on third party goods	0	0
<b>Total</b>	<b>457,927</b>	<b>385,803</b>

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

This has not been addressed, given that no balance exists for the item.

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

This has not been addressed, given that no balance exists for the item.

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

This has not been addressed, given that no balance exists for the item.

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

This has not been addressed, given that no balance exists for the item.

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

	2009	2008
value adjustments on financial assets	0	47,231

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

This has not been addressed, given that no balance exists 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 2009 financial statements period the firm S.p.A. ISIS did not pay out any dividends.

**6.2 OTHER OPERATING PROCEEDS (BREAKDOWN OF ITEM 7)**

	2009	2008
other operating proceeds	2,440,585	1,698,375

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

	2009	2008
- rents received	23,438	22,975
- accounting expenses	375	4,688
- recovery of personnel expenses	20,279	59,329
- miscellaneous reimbursements	1,118,912	532,924
- recovery of sums levied from supervised parties	1,246,226	1,048,150
- credit notes, allowances and positive rounding-off figures	220	853
- proceeds from Overdue Tax Collection services	31,134	29,454
<b>Total</b>	<b>2,440,585</b>	<b>1,698,375</b>

Under "Miscellaneous reimbursements" are included – besides the normal expense recoveries for banking commissions-recoveries for cash supply costs. "Recovery of supervisory fees" concerns the total costs recuperated for the 2009 balance sheet period; the total was communicated to the supervised parties by 31st March 2009, as set down by Law Decree 117 of 6th November 2006. "Proceeds from Overdue Tax Collection" are relative to the incoming sums stemming from executive actions and interest on delayed payments.

**6.3 OTHER OPERATING COSTS (BREAKDOWN OF ITEM 8)**

	2009	2008
other operating costs	183,281	35,120

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

**6.4 EXTRAORDINARY PROCEEDS (BREAKDOWN OF ITEM 18)**

	2009	2008
extraordinary proceeds	48,587	10,792
<i>of which: rounding-off due to publishing Financial Statements in euro units</i>	<i>1</i>	<i>0</i>

"Extraordinary proceeds" reflects miscellaneous windfall assets.

**6.5 EXTRAORDINARY COSTS (BREAKDOWN OF ITEM 19)**

	2009	2008
extraordinary costs	6,966	11,534
<i>of which: rounding-off due to publishing Financial Statements in euro units</i>	<i>0</i>	<i>2</i>

"Extraordinary costs" refers to miscellaneous contingent liabilities.



FIGURES IN EURO

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## 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.

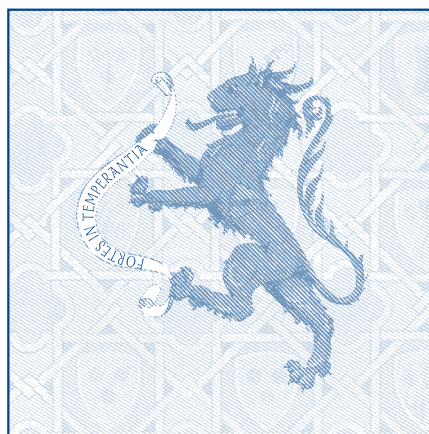


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## APPENDIX TO THE NOTES



## Appendix to the Notes

## Annex 1

## HUMAN RESOURCES SCHEDULE

Dependent employees <sup>(1)</sup>: SHOWN ACCORDING TO ORGANISATIONAL HIERARCHY

	2009	2008	2007	2006
SENIOR OFFICERS	0.0%	0.0%	0.0%	0.0%
OFFICERS	19.05%	20.0%	15.4%	12.9%
FRONT OFFICE MGRS./CLERKS	77.38%	77.1%	81.5%	82.3%
SUPPORT STAFF	3.57%	2.9%	3.1%	4.8%
	100.0%	100.0%	100.0%	100.0%

## Dependent employees: VARIATIONS

	2009	2008	2007	2006
<b>TOTAL PERSONNEL <sup>(1)</sup> at the start of the year:</b>	<b>70</b>	<b>65</b>	<b>62</b>	<b>59</b>
- HIRING	17	5	4	6
- TERMINATIONS	3	0	1	3
<b>TOTAL PERSONNEL <sup>(1)</sup> at the end of the year:</b>	<b>84</b>	<b>70</b>	<b>65</b>	<b>62</b>
of which having fixed-term contracts	4	0	3	3
<b>ANNUAL VARIATION</b>	<b>20%</b>	<b>8%</b>	<b>5%</b>	<b>5%</b>
<b>REAL AVERAGE RESOURCES <sup>(2)</sup></b>	<b>70.35</b>	<b>61.1</b>	<b>56.3</b>	<b>53.7</b>

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

(2) Calculated at the beginning of the year. Includes the Director General and External Inspectors. Takes into account 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 baking risks	Profits to be allocated	TOTAL EQUITY FUNDS
<b>Balances on 31/12/2008</b>	<b>12,911,425</b>	<b>3,571,629</b>	<b>7,999,012</b>	<b>184,333</b>	<b>27,896,730</b>	<b>897,344</b>	<b>53,460,474</b>
2008 profit provisions:							
- to ordinary reserve		358,938				-358,938	
- to extraordinary reserve			314,070			-314,070	
- to other reserves				70,743			70,743
- unavailable reserves							
- to shareholders						-224,336	-224,336
Provisions on 2009 Financial Statements					12,640,000		12,640,000
2009 profits to be allocated						970,183	970,183
<b>Balances on 31/12/2009</b>	<b>12,911,425</b>	<b>3,930,567</b>	<b>8,313,082</b>	<b>255,076</b>	<b>40,536,730</b>	<b>970,183</b>	<b>66,917,063</b>



FIGURES IN EURO

**Annex 3**  
**2009 STATEMENT OF FINANCIAL CONDITIONS**

<b>Funds generated and collected</b>	<b>2009</b>	<b>2008</b>
<b>Funds deriving from operations</b>		
Profit for the financial year	970,183	897,344
Provisions to the Fund for General Banking Risks	12,640,000	1,000,000
Provisions to Staff Retirement Fund	436,137	352,821
Value adjustments on fixed assets	457,927	385,803
	<b>14,504,246</b>	<b>2,635,968</b>
<b>Increases in the funds collected</b>		
Other liabilities	0	0
Debts with banks	117,692,965	46,785,877
Debts with customers	2,305,241	76,419,600
Debts represented by securities (repos and certificates of deposit)	0	0
Other variations	0	0
Accrued expenses and deferred revenues	0	277,624
	<b>119,998,206</b>	<b>123,483,101</b>
<b>Decreases in the funds used</b>		
Other assets	0	0
Shares, quotas and other capital securities	0	5,810,096
Cash and available funds	2,599,879	0
Intangible fixed assets	0	0
Tangible fixed assets	967	0
Accrued revenues and deferred expenses	2,379,900	0
Inter-bank loans	0	11,150,424
Bonds and other debt securities	191,558,875	0
Customer loans	733,612	3,002,459
Holdings	0	0
	<b>197,273,233</b>	<b>19,962,979</b>
<b>Total funds generated and collected</b>	<b>331,775,686</b>	<b>146,082,048</b>



FIGURES IN EURO

**Annex 3**  
**2009 STATEMENT OF FINANCIAL CONDITIONS**

Funds used and spent	2009	2008
<b>Value recoveries and use of funds deriving from operations</b>		
Value recoveries	0	0
Utilisation of other funds	0	0
Dividends paid out	224,336	218,777
Other reserves (unavailable reserves)	-70,743	-97,370
Utilisation of Staff Retirement funds	352,821	300,871
	<b>506,414</b>	<b>422,278</b>
<b>Increases in funds spent</b>		
Other assets	3,406,729	266,959
Other variations	0	3
Cash and available funds	0	8,765,278
Inter-bank loans	321,996,344	0
Customer loans	0	0
Intangible fixed assets	113,322	41,021
Tangible fixed assets	317,098	977,468
Shares, quotas and other capital securities	0	0
Bonds and other debt securities	0	74,002,557
Holdings	70,743	50,138
Accrued revenues and deferred expenses	0	1,261,239
	<b>325,904,236</b>	<b>85,364,663</b>
<b>Decreases in funds collected</b>		
Other liabilities	1,455,105	2,758,063
Debts with banks	0	0
Debts with customers	0	0
Debts represented by securities	3,216,392	57,537,044
Accrued expenses and deferred revenues	693,539	0
	<b>5,365,036</b>	<b>60,295,107</b>
<b>Total funds used and spent</b>	<b>331,775,686</b>	<b>146,082,048</b>



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BOARD OF AUDITORS REPORT  
ON THE BALANCE SHEETS  
CLOSED ON 31 DECEMBER 2009



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**Dear Shareholders,**

the Balance Sheet for 2009, which the Governing Council has submitted for your approval, was drawn up in accordance with the laws currently in force (Law 96 of 29/06/2005 and subsequent amendments thereto – Statutes of the Central Bank of the Republic of San Marino, Law 165 of 17/11/2005 – the Law Concerning Companies and Banking, Financial and Insurance Services, Law 47 of 23/02/2006 – and the Law Concerning Corporations); it is composed of the Balance Sheets, the Profit and Loss Account, and the Notes thereto, besides the Governing Council's Report on Management.

The above documents were made available to the Board of Auditors on 21st April 2010, following the approval thereof by the Governing Council, and definitively on 12th May 2010. On 21/04/10 the Board of Auditors had already renounced the honouring of the deadline contained in Article 23 comma 2 of Law 96/2005 (Central Bank Statutes).

In the Notes to the Financial Statements there is a detailed description of the process which determined the net profits amounting to euro 970,183 together with the accounting principles observed therein.

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 or –alternatively – 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”; meanwhile in the Profit and Loss Account they appear under the “Extraordinary Proceeds/Costs” entry, as set out in the general criteria existing for bank Financial Statements:



FIGURES IN EURO

LIABILITIES	629,511,559
ENDOWMENT FUND	12,911,425
RESERVES	12,498,725
PROFIT	970,183
<b>ASSETS</b>	<b>655,891,892</b>
<b>GUARANTEES AND COMMITMENTS</b>	
GUARANTEES ISSUED	8,845,373
GUARANTEES RECEIVED	129,399,138
COMMITMENTS	19,973,459
<b>SUSPENCE ACCOUNTS</b>	
ASSET MANAGEMENT	0
DEPOSITED THIRD-PARTY SECURITIES	17,001,753
THIRD-PARTY SECURITIES DEPOSITED WITH THIRD PARTIES	58,260,283
OWNED SECURITIES DEPOSITED WITH THIRD PARTIES	224,613,524
OWNED VALUABLES IN BANK VAULT	140,893
OTHER OPERATIONS	102,353,407
<b>TOTAL SUSPENCE ACCOUNTS</b>	<b>402,369,860</b>
<b>THE OUTCOME OF THE PROFIT AND LOSS ACCOUNT WAS CONFIRMED BY THE RECLASSIFIED PROFIT AND LOSS ACCOUNT, AS FOLLOWS</b>	
MONEY MANAGEMENT MARGIN	9,298,598
PROCEEDS FROM FINANCIAL OPERATIONS	10,012,560
FINANCIAL OPERATION COSTS	- 1,075,488
OTHER OPERATING PROCEEDS	3,069,843
OTHER OPERATING COSTS	- 249,560
OTHER PROCEEDS	2,386,045
LABOUR COSTS	- 5,963,523
DEPRECIATION AND PROVISIONS COSTS	- 457,927
OTHER COSTS	- 3,451,775
<b>ORDINARY OPERATING PROCEEDS</b>	<b>13,568,774</b>
EXTRAORDINARY OPERATING PROCEEDS	7,046
EXTRAORDINARY OPERATING COSTS	- 211
WINDFALL PROCEEDS	41,540
WINDFALL COSTS	- 6,966
<b>PRE-PROVISIONS PROFITS</b>	<b>13,610,183</b>
PROVISIONS TO FUND FOR GENERAL BANKING RISKS	- 12,640,000
USE OF MISCELLANEOUS FUNDS	0
<b>PRE-TAX PROFITS</b>	<b>970,183</b>
<b>INCOME TAXES</b>	<b>0</b>
<b>NET PROFITS</b>	<b>970,183</b>

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Pursuant to Art. 24 of Law 96 of 29/06/2005, Central Bank profits are exempt from general income tax; on the other hand, if distributed, they are added onto Shareholders' taxable income.

On 31st December 2009 the Fund for General Banking Risks amounted to 40,536,730 euro. Compared the preceding Financial Statements the aforesaid increased by 12,640,000 euro.

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

#### AUDITING ACTIVITIES

The Board of Auditors has read the Report of the Independent Auditing firm appointed by the Assembly, which arrived today and which – in its conclusion – expresses the following opinion: ...“the Financial Statements of the Central Bank of the Republic of San Marino, on 31st December 2009 –with the exception of the possible effects connected with the facts remarked upon in paragraph 3 above - conforms with the laws that currently regulate their composition; they are thus presented with clarity, and truly and correctly represent the Bank's equity and financial situation. Furthermore they accurately portray the Central Bank's general economic status”.

#### SUPERVISORY ACTIVITIES

- the Board of Auditors carried out its periodic checks during the 2009 Financial Statements period, the details of which are contained in the relative Inspections Register; during those checks no decisions made 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 attended the Directorate General meetings, in accordance with the statutory and legislative regulations that govern the functioning of the Bank, and found that no illegal actions were deliberated nor were the Statutes violated, nor were the aforesaid actions contrary to any of the decisions taken during the Shareholders' Assembly;
- the Board of Auditors 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 encountered nor were the Statutes violated;
- the Board of Auditors declares that the general organisation of the Balance Sheet in these Financial Statements is in line with the Laws concerning the drawing up and structuring thereof;
- from comparisons made 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 identical criteria, and that it is thus possible to compare them.

Given the facts outlined above, and keeping in mind that no facts have emerged nor contrary reservations have been expressed, this Board of Auditors declares the opinion that- to the extent of its responsibility and to the best of its knowledge - the information herein conforms with the laws concerning the drawing up and structuring of balance sheets, and that the aforesaid have been drawn up with clarity and represent the true and correct equity, financial and general economic situation of the Central Bank. The Board therefore invites the Assembly to approve the Financial Statements closed on 31st December 2009 in the form proposed by the Governing Council.

Finally, the members of the Board of Auditors intend to express their gratitude to the Governing Council, the new Director, the Vice Director and the officers for their cooperation and willingness to facilitate their understanding of the facts and the carrying out of all of the above-mentioned checks.

San Marino, 18th May 2010

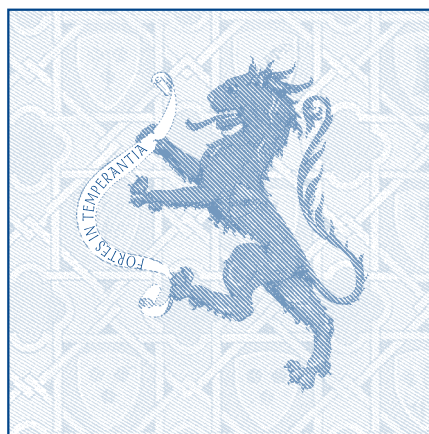
The Board of Auditors  
Irene Lonfernini  
Massimo Francioni  
Guido Zafferani



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## 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 (hereafter the "Bank"), closed on 31st December 2009. The responsibility for the drawing up of those Financial Statements in accordance with the current laws relating thereto remains that of the Bank Administration. It is the responsibility of our firm to express a professional opinion regarding the Financial Statements, based on our accounting audit. The present report is not made in accordance with the laws set down, owing to the fact that the accounting checks of the Bank, according to Article 16 of its Statutes (Law 96/2005), are the responsibility of another subject, i.e. are diverse from the undersigned auditing firm.
2. With the exception of the contents contained in paragraph 3 below, our audit was carried out in accordance with the generally accepted auditing standards currently in force in Italy, as adopted by the National Council of Board-Certified Accounting Professionals and Expert Accountants. In observation of the aforesaid principles, the audit was planned and carried out in order to acquire every element necessary to reasonably ascertain whether the Financial Statements contained significant errors and whether the overall outcome was reliable. The auditing procedure included the examination - on a test basis - of the probative elements connected with the amounts and the information disclosed in the Financial Statements as a whole. 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 the Administrators. We believe that the examination conducted provides us with a sufficient basis to express our professional opinion.

Concerning our opinion on 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 6th May 2009.

3. As noted by the Administrators in the Notes to the Financial Statements, as well as in the Report on Management, following the liquidity concerns of the financial system of the Republic of San Marino - particularly in light of the measures adopted by the Government of the Italian Republic concerning its so-called "fiscal shield" - during the course of 2009 the Bank intervened to provide liquidity to the system through the concession of financing for a total of 100 million euro. The aforesaid amount was entered among the assets of the Balance Sheet closed on 31st December 2009, under the "Inter-bank loans" item. The Administrators moreover pointed out that, during the first several months of 2010, further financing for 98 million euro was again conceded to support the liquidity of the system. Due to factors that also included the restraints placed upon the Bank by Article 29 of Law 96/2005 concerning the obligations of banking secrecy and given that the above-said was evoked by the Bank during our audit, it was not possible to obtain all of the documentation and information we deemed necessary for the case in point, to completely grasp the valuations carried out by the Administrators concerning the amount entered in the Balance Sheet for the above-mentioned financing, including

the facts concerning the aforesaid furnished by the Administrators in the Notes to the Financial Statements and the Report on Management.

4. In our professional opinion the Financial Statements of the CENTRAL BANK OF THE REPUBLIC OF SAN MARINO, on 31st December 2009 - with the exception of the possible effects connected with the facts remarked upon in paragraph 3 above - conforms with the laws that currently regulate their composition; they are thus presented with clarity, and truly and correctly represent the Bank's equity and financial situation. Furthermore they accurately portray the Central Bank's general economic status.
5. As illustrated by the Administrators and pursuant to the legislation currently in force, the Profit and Loss Account for the 2009 Financial Statements period includes provisions to the Fund for General Banking Risks amounting to 12.6 million euro, as the aforesaid constitutes net equity and therefore serves to consolidate said equity.

DELOITTE & TOUCHE S.r.l.



Carlo Beciani  
Director

San Marino, 14th May 2010





Finito di stampare  
Luglio 2010

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

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