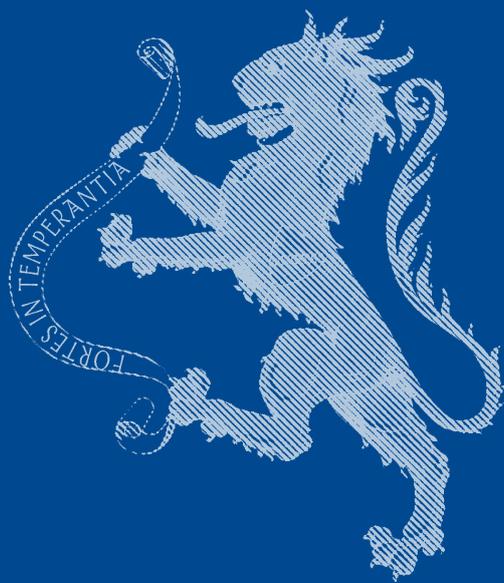


BANCA  **CENTRALE**
DELLA REPUBBLICA DI SAN MARINO

ANNUAL REPORT

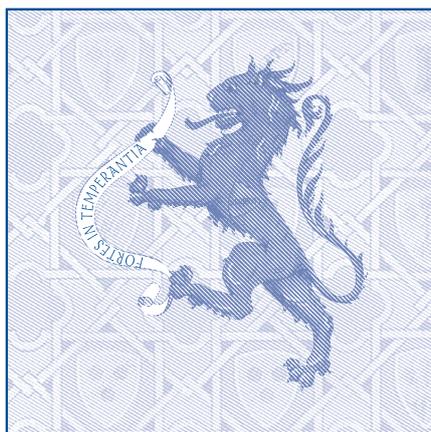
2010







2010
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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	page 71
GOVERNING COUNCIL REPORT ON 2010 MANAGEMENT.....	page 75
Important events which occurred after the closure of the financial year	page 77
2010 FINANCIAL STATEMENTS	
Balance Sheet Assets	page 81
Balance Sheet Liabilities	page 82
Guarantees and Commitments / Suspence Accounts	page 83
Profit and Loss Account	page 84
Reclassified Profit and Loss Account	page 86
NOTES TO THE FINANCIAL STATEMENTS	
Structure and contents of the Financial Statements	page 91
Part A - Valuation criteria	page 92
Part B - Information on the Balance Sheets	page 95
Part C - Information on the Profit and Loss Account	page 108
APPENDIX TO THE NOTES	
Annex 1: Human Resources Schedule	page 116
Annex 2: Net Equity Changes Schedule	page 117
Annex 3: 2010 Statement of Financial Condition	page 118
BOARD OF AUDITORS REPORT	
ON THE BALANCE SHEETS CLOSED ON 31 DECEMBER 2010	page 123
INDEPENDENT AUDITOR'S REPORT	page 129



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

GOVERNING COUNCIL

Clarizia Renato	Chairman*
Berardi Orietta	Vice Chairman
Bizzocchi Stefano	Member
Lombardi Giorgio	Member**
Mularoni Marco	Member
Simoncini Aldo	Member

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
Gumina Antonio	External Inspector****
Ielpo Francesco	Internal Inspector
Vivoli Andrea	Internal Inspector

On 19 May 2011

* Appointed on 15 December 2010

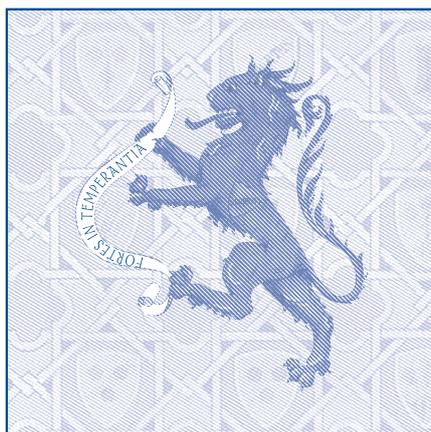
** Appointed on 1 June 2010

*** Appointed on 24 March 2010

**** Appointed on 2 May 2011



GOVERNING COUNCIL REPORT
ON 2010 MANAGEMENT





Dear Shareholders,

the main data and economic-equity indicators pertaining to 2010 management are the following.

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

Total assets fell from 656 to 610 million euro; the difference can be mainly traced to the considerable variation in the “Inter-bank loans” item, which decreased from 385 million euro to 311 million euro, as well as to the simultaneous increase in “Bonds and other debt securities”. It should be noted that, despite the Central Bank’s intervention during the course of 2010 to assure increased liquidity in the San Marino market – particularly in light of the effects of the Italian Republic’s “scudo fiscale” (its so-called “Fiscal Shield”) policy - the securities portfolio increased from 228 to 254 million euro.

“Other assets” includes credit for services provided by the Bank to the Public Administration in 2010: as per the three-year 2010-2012 economic agreement stipulated by the parties last 30th December, the aforesaid credit totalled 3.3 million euro. The amount of that item therefore went from 5.2 to 5.5 million euro. The value of the “Holdings” item increased from approximately 325 thousand euro to approximately 446 thousand euro, due to the revaluation of the net equity of I.S.I.S. S.p.A. on the basis of its proposed Balance Sheet for 2010.

The “Debts with banks” item decreased, going from 193 million euro to 150 million euro. This variation is due to a decrease, registered during 2010, in the obligatory minimum reserves held (set out by Law Decree 162 on 3rd December 2009). “Debts with customers” fell from 385 to 367 million euro, while “Debts represented by securities” increased from 3 to 8.8 million euro, mainly due to the Central Bank’s having issued a certificate of deposit in favour of a San Marino Bank. Total Equity, composed of the Endowment Fund, Reserves, the Fund for General Banking Risks and “Undistributed profits” from 2010, based on the Governing Council’s proposal, would increase from 67 to 75 million euro. The aforesaid reflects the Bank’s firm commitment to consolidating its equity.

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

	2010	2009	variations	
			absolute	%
Balance Sheet totals	610,275,896	655,891,892	-45,615,996	-7.0%
Inter-bank loans	311,215,817	385,214,210	-73,998,393	-19.2%
Customer loans	14,486,441	17,347,384	-2,860,943	-16.5%
Bonds and other debt securities	253,607,798	227,729,802	25,877,996	11.4%
Shares, quotas and other capital stocks	1,463	2,973,674	-2,972,211	-100.0%
Holdings	446,050	325,425	120,625	37.1%
Debits with banks	149,514,418	192,688,132	-43,173,714	-22.4%
Debits with customers	366,917,947	385,225,862	-18,307,915	-4.8%
Debits represented by securities	8,818,799	3,094,125	5,724,674	185.0%
Total Net Equity*	75,276,129	66,917,063	8,359,066	12.5%
Money management margin	9,955,862	9,298,598	657,264	7.1%
Proceeds/costs from financial operations	6,435,288	8,937,072	-2,501,784	-28.0%
Financial management margin	14,684,421	18,235,670	-3,551,249	-19.5%
Gross contribution margin	17,863,792	21,055,953	-3,192,161	-15.2%
Gross operation margin	8,445,795	13,575,609	-5,129,814	-37.8%
Net profits	1,880,987	970,183	910,804	93.9%

* 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 the allocation of Balance Sheet profit.

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

The Money management margin increased by 7.1%, finishing up at approximately 10 million euro; this outcome was principally due to an increase in the “Interest Received” item, which was partially compensated for by a decrease in the “Interest on Securities” item.

The decrease in “Proceeds and costs from financial operations”, which went from 10 million euro in 2009 to 6.4 million euro in 2010, can be explained by the fact that 2009 performance was exceptional. To illustrate: during 2009 the devaluations carried out at the end of 2008 on securities at the market price, the improvement in the trends in the following year, as well as significant trading activities, all allowed much higher financial profits to be generated compared to the Central Bank’s ordinary operations.

The financial management margin was 14.7 million euro, a fall of 3.6 million euro compared to the previous year; in any event 2010 performance may be considered decidedly positive.

“Other proceeds” decreased by 31% given that – considering the difficult moment that the country and supervised institutions are living through – it was believed necessary to keep supervision fees as low as possible. Indeed, despite the fact that, in 2010, the amount of direct and indirect costs sustained by the Central Bank amounted to approximately 3 million euro, supervised subjects paid approximately 1 million euro, i.e., 24% less than in the 2009 financial statements period. The Central Bank covered the difference in the costs sustained. Furthermore, following the reduction in cash stocks supplied, profits relative to those duties fell.

Given the changes made in the Central Bank’s staff, as well as contractual and legal changes, a 15.5% increase in labour costs occurred.

The gross Ordinary operating margin remained at 8.4 million euro; in 2009 it was 13.6 million. This result also includes – concerning the relative cost items – the amount paid (approximately 1.3 million euro) for the operation of the Agenzia di Informazione Finanziaria, i.e. San Marino’s Financial Information Agency, the financing of which falls to the Central Bank.

Following the proposed provision to the “General Banking Risks Fund” of 6.6 million euro, net profits amount to 1,880,987, which is an increase of 93.9% compared to last year. It should be remembered that, 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:

PROFIT INDEX (%)	2010	2009
Gross contribution margin / Total assets	2.9%	3.2%
Ordinary operating margin / Total assets	1.4%	2.1%
Net profit / Net equity (ROE)	2.5%	1.4%
Net profit / Total assets	0.3%	0.1%
PRODUCTIVITY INDEX (% - euro)	2010	2009
Labour costs* / Gross contribution margin	40.3%	32.4%
Ordinary operating margin / Annual average: Human Resources**	101,988	192,875
Ordinary operating margin / Net equity	11.2%	20.3%

* 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)

Dear Shareholders, on behalf of the Governing Council and in the interest of consolidating the equity of the Central Bank – pursuant to Art. 23 of its Statutes – the following allocation of profits amounting to 1,880,987 is proposed:

	euro
To the Ordinary Reserve Fund	752,395
To the Extraordinary Reserve Fund	0
To Holding Bodies/Agencies	1,128,592

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

	euro
Endowment Fund	12,911,425
Ordinary Reserve Fund	5,071,035
Extraordinary Reserve Fund	8,652,646
General Banking Risks Fund	47,136,730
Other Equity Reserves	375,701
Total Equity	74,147,537

Dear Shareholders,

the Governing Council’s Report on 2010 Management was read and submitted for approval on 20th April, 2011. On behalf of the Governing Council – following the reading of the Board of Auditors Report – your approval is requested of the Balance Sheet and Financial Statements as a whole, together with the allocation of profits, as proposed to you pursuant to the laws currently in force.

Thanks are due to the Captains Regent (San Marino’s heads of state), the Grand and General Council (Legislative branch), as well as the Congress of the Republic (Executive branch), together with other authorities of the Republic of San Marino, for the support provided to the Central Bank in the carrying out of its duties.

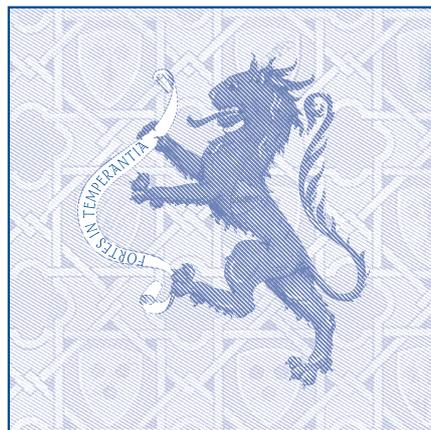
The Public Administration is also to be thanked for its cooperation, as well as all Bank personnel for the results achieved and the work dedicated to the Institute. Moreover kind thanks go to the members of the Board of Auditors for the close attention paid to the matters falling under their area of competence, as well as for their participation at Governing Council meetings.

San Marino, 19th May 2011.

IMPORTANT EVENTS WHICH OCCURRED AFTER THE CLOSURE OF THE FINANCIAL YEAR

No important facts occurred.

2010
FINANCIAL STATEMENTS



BALANCE SHEET

ASSETS



FIGURES IN EURO

	2010		2009	
1. CASH AND OTHER VALUABLES	17,170,988	17,170,988	7,201,573	7,201,573
2. INTER-BANK LOANS		311,215,817		385,214,210
a) sight credits	17,784,025		196,037,596	
b) other credits	293,431,792		189,176,614	
3. CUSTOMER LOANS	14,486,441	14,486,441	17,347,384	17,347,384
4. BONDS AND OTHER DEBT SECURITIES		253,607,798		227,729,802
a) issued by public institutions	16,167,366		5,839,209	
b) issued by banks	185,000,573		180,152,097	
c) issued by financial institutions	29,981,943		14,669,033	
d) issued by other institutions	22,457,916		27,069,463	
5. SHARES, QUOTAS AND OTHER CAPITAL SECURITIES	1,463	1,463	2,973,674	2,973,674
6. HOLDINGS	446,050	446,050	325,425	325,425
7. HOLDINGS IN GROUP BUSINESSES	0	0	0	0
8. INTANGIBLE FIXED ASSETS	94,018	94,018	89,222	89,222
9. TANGIBLE FIXED ASSETS (net of funds)		5,572,613		5,861,472
a) owned assets	5,572,613		5,861,472	
aa) electronic office machines	44,186		64,414	
ab) electric office machines	1,224		536	
ac) office furniture and furnishings	176,191		173,096	
ad) miscellaneous equipment	9,372		6,121	
ae) systems and fittings	180,160		158,274	
af) motor vehicles	47,148		67,688	
ag) real property	4,346,552		4,605,879	
ah) pluriennial costs for real property	761,480		779,164	
aj) other owned property	6,300		6,300	
10. OTHER ASSETS	5,540,178	5,540,178	5,208,774	5,208,774
<i>from rounding off in euro units</i>	0		1	
11. ACCRUED REVENUES AND DEFERRED EXPENSES		2,140,531		3,940,356
a) accrued revenues	2,094,009		3,842,454	
b) deferred expenses	46,522		97,902	
TOTAL ASSETS		610,275,896		655,891,892

BALANCE SHEET LIABILITIES



FIGURES IN EURO

	2010		2009	
1. DEBTS WITH BANKS		149,514,418		192,688,132
a) sight debts	62,514,418		184,202,223	
b) term or notice debts	87,000,000		8,485,909	
2. DEBTS WITH CUSTOMERS		366,917,947		385,225,862
a) sight debts	321,917,947		323,225,862	
b) term or notice debts	45,000,000		62,000,000	
3. DEBTS REPRESENTED BY SECURITIES		8,818,799		3,094,125
a) bonds	0		0	
b) certificates of deposit	7,000,000		0	
c) other securities (repurchase agreements)	499,000		1,075,400	
d) cheques in circulation	1,319,799		2,018,725	
4. OTHER LIABILITIES	8,741,559	8,741,559	7,478,640	7,478,640
<i>from rounding off in euro units</i>	0		0	
5. ACCRUED EXPENSES AND DEFERRED REVENUES		477,652		51,933
a) accrued expenses	477,652		46,941	
b) deferred revenues	0		4,992	
6. STAFF RETIREMENT ALLOWANCES	529,392	529,392	436,137	436,137
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	47,136,730	47,136,730	40,536,730	40,536,730
10. ENDOWMENT FUND	12,911,425	12,911,425	12,911,425	12,911,425
11. ISSUE PREMIUM	0	0	0	0
12. RESERVES		13,346,987		12,498,725
a) ordinary reserves	4,318,640		3,930,567	
b) extraordinary reserves	8,652,646		8,313,082	
c) other reserves	375,701		255,076	
13. NET PROFIT		1,880,987		970,183
TOTAL LIABILITIES		610,275,896		655,891,892



FIGURES IN EURO

GUARANTEES AND COMMITMENTS

	2010	2009
GUARANTEES ISSUED		
a) acceptances	0	0
b) other guarantees	8,760,067	8,845,373
GUARANTEES RECEIVED		
a) acceptances	0	0
b) other guarantees	544,457,619	129,399,138
COMMITMENTS		
a) sales with repurchase obligation	502,523	1,078,963
b) purchases with transfer obligation	0	0
c) foreign currencies and securities to be received	0	18,463,436
d) foreign currencies and securities to be delivered	0	13,926
e) other commitments	0	417,134
TOTAL COMMITMENTS AND RISKS	553,720,209	158,217,970

SUSPENCE ACCOUNTS

	2010	2009
ASSET MANAGEMENT	0	0
SECURITIES CUSTODY AND MANAGEMENT		
a) deposited third party securities	24,387,992	17,001,753
b) third party securities deposited with third parties	87,256,832	58,260,283
c) owned securities deposited with third parties	258,459,270	224,613,524
d) owned valuables in bank vault	499,778	140,893
OTHER OPERATIONS	122,880,102	102,353,407
TOTAL SUSPENCE ACCOUNTS	493,483,974	402,369,860

PROFIT AND LOSS ACCOUNT



FIGURES IN EURO

	2010	2009
1. INTEREST RECEIVED AND PROCEEDS	12,429,797	11,867,728
a) on inter-bank loans	5,902,819	469,322
b) on customer loans	228,666	1,771,459
c) on Government securities and bonds	6,298,312	9,626,947
2. INTEREST PAID AND COSTS	-2,473,934	-2,569,130
a) on debts with banks	-1,076,630	-340,446
b) on debts with customers	-978,414	-2,189,267
c) on debts represented by securities (repos)	-418,890	-39,417
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	3,335,048	3,035,582
5. COMMISSIONS PAID	-66,889	-66,589
6. PROFITS (LOSSES) FROM FINANCIAL OPERATIONS	4,728,559	8,937,072
7. OTHER OPERATING PROCEEDS	1,706,983	2,440,585
8. OTHER OPERATING COSTS	-123,797	-183,281
9. ADMINISTRATIVE COSTS	-10,620,719	-9,435,478
a) labour costs	-6,914,064	-5,983,802
aa) wages and salaries	-4,342,004	-3,630,837
ab) pension contributions	-1,260,679	-1,107,278
ac) retirement allowances	-544,748	-439,162
ad) severance indemnity-related costs	0	0
ae) other labour costs	-766,633	-806,525
b) other administrative costs	-3,706,655	-3,451,676
10. VALUE ADJUSTMENTS ON INTANGIBLE AND TANGIBLE FIXED ASSETS	-469,394	-457,927
11. PROVISIONS FOR RISKS AND COSTS	0	0
12. VALUE ADJUSTMENTS ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS	0	0
13. VALUE RECOVERIES ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS	0	0
14. PROVISIONS TO CREDIT RISKS FUNDS	0	0
15. VALUE ADJUSTMENTS ON FINANCIAL ASSETS	0	0
16. VALUE RECOVERIES ON FINANCIAL ASSETS	0	0



FIGURES IN EURO

	2010	2009
17. PROFIT (LOSS) ON ORDINARY ACTIVITIES	8,445,655	13,568,562
18. EXTRAORDINARY PROCEEDS	87,274	48,587
<i>from rounding off in euro units</i>	<i>0</i>	<i>1</i>
19. EXTRAORDINARY COSTS	-51,942	-6,966
<i>from rounding off in euro units</i>	<i>0</i>	<i>0</i>
20. EXTRAORDINARY PROFIT (LOSS)	35,332	41,621
21. VARIATION TO THE GENERAL BANKING RISKS FUND	-6,600,000	-12,640,000
22. INCOME TAX FOR THE FINANCIAL YEAR	0	0
23. PROFIT (LOSS) FOR THE FINANCIAL YEAR	1,880,987	970,183

RECLASSIFIED PROFIT AND LOSS ACCOUNT



FIGURES IN EURO

	2010	2009
1. INTEREST RECEIVED	7,899,497	2,240,781
1.1 FROM CUSTOMERS	194,388	1,771,459
1.2 FROM BANKS	7,705,109	469,322
1.2.1 CURRENT ACCOUNT AND SIGHT DEPOSITS	66,961	130,752
1.2.2 TERM DEPOSITS AND REPOS	1,897,081	338,750
1.2.3 OTHER INTERESTS	5,741,067	0
2. INTEREST ON SECURITIES	4,530,299	9,626,947
3. DIVIDENDS AND OTHER PROCEEDS	0	0
4. INTEREST PAID	-2,473,934	-2,569,130
4.1 TO CUSTOMERS	-984,296	-2,228,684
4.1.1 CURRENT ACCOUNT AND SIGHT DEPOSITS	-739,234	-1,552,416
4.1.2 TERM DEPOSITS AND REPOS	-245,062	-676,268
4.2 TO BANKS	-1,076,630	-340,446
4.3 OTHER INTERESTS AND COSTS	413,008	0
A. MONEY MANAGEMENT MARGIN	9,955,862	9,298,598
5. PROCEEDS FROM FINANCIAL OPERATIONS	6,435,288	10,012,560
6. FINANCIAL OPERATION COSTS	-1,706,728	-1,075,488
B. FINANCIAL MANAGEMENT MARGIN	14,684,422	18,235,670
7. OTHER OPERATING PROCEEDS	3,369,990	3,069,843
7.1 PROCEEDS FROM SECURITIES MANAGEMENT	177	86
7.2 PROCEEDS FROM FOREIGN CURRENCIES MANAGEMENT	0	0
7.3 OTHER PROCEEDS	3,369,813	3,069,757
8. OTHER OPERATING COSTS	-190,619	-249,560
8.1 SECURITIES MANAGEMENT COSTS	-46,927	-50,575
8.2 FOREIGN CURRENCIES MANAGEMENT COSTS	0	0
8.3 OTHER COSTS	-143,692	-198,985
C. GROSS CONTRIBUTION MARGIN	17,863,793	21,055,953
9. OTHER PROCEEDS	1,645,270	2,386,045
<i>from rounding off in euro units</i>	<i>1</i>	
10. LABOUR COSTS	-6,887,291	-5,963,523
10.1 CLERICAL	-2,901,807	-2,401,030
10.2 MANAGEMENT AND OFFICERS	-1,440,197	-1,229,807
10.3 PENSION CONTRIBUTIONS	-1,260,679	-1,107,278
10.4 PROVISION TO RETIREMENT FUND	-544,748	-439,162
10.5 MISC. PERSONNEL COSTS	-766,633	-806,525
(minus PERSONNEL EXPENSES REIMBURSEMENTS)	26,773	20,279
11. DEPRECIATION AND PROVISIONS	-469,394	-457,927
12. OTHER COSTS	-3,706,722	-3,451,775
<i>from rounding off in euro units</i>	<i>0</i>	<i>0</i>

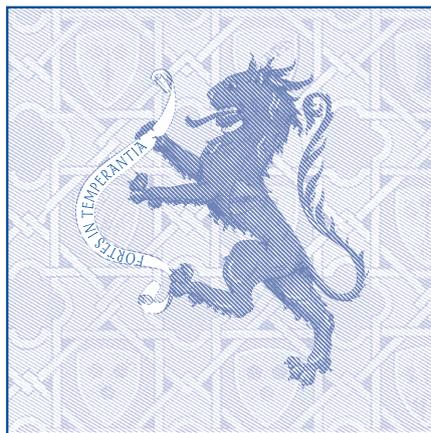


FIGURES IN EURO

	2010	2009
D. ORDINARY MANAGEMENT MARGIN	8,445,654	13,568,774
13. EXTRAORDINARY OPERATING PROCEEDS	140	7,046
14. EXTRAORDINARY OPERATING COSTS	0	-211
E. GROSS OPERATING MARGIN	8,445,794	13,575,609
15. WINDFALL PROCEEDS	87,134	41,540
16. WINDFALL COSTS	-51,942	-6,966
F. PRE-PROVISION PROFITS	8,480,987	13,610,183
17. PROVISION TO THE GENERAL BANKING RISKS FUND	-6,600,000	-12,640,000
18. USE OF MISCELLANEOUS FUNDS	0	0
G. PRE-TAX PROFITS	1,880,987	970,183
19. INCOME TAXES	0	0
H. NET PROFITS	1,880,987	970,183



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
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Part B - Information on the Balance Sheets

Section 1	- Credits
Section 2	- Securities
Section 3	- Holdings
Section 4	- Intangible and Tangible Fixed Assets, and Leasing
Section 5	- Other Assets Items
Section 6	- Debts
Section 7	- Funds
Section 8	- Capital, Reserves, the Fund for General Banking Risks
Section 9	- Other Liability Items
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 2010 have been drawn up in accordance with the laws currently in force. In particular, Law 96 from 29th June 2005 – Statutes of the Central Bank of San Marino, see: Law 165 from 17th November 2005 – the Law Concerning Firms and Banking, Financial and Insurance Services, see: Law 47 from 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 operation 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 accounting procedures.

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.

Part A - Valuation criteria

SECTION 1 - ILLUSTRATION OF THE VALUATION CRITERIA

The 2010 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; onto this is added the quota of interest accrued and matured on the closure date of the Balance Sheet.

- "Other credits": these are shown at nominal value, corresponding to their presumed market value. These also include the quota of interest accrued and matured on the closure date of the Bal-

ance Sheet.

- “Guarantees and commitments”: the guarantees issued and received are 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 that was contractually agreed upon with the other party. Commitments to deliver funds to other parties and customers were entered according to the agreed upon value.

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 Limited company’s quotations or - 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, 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.

- 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 2010.

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, this is entered in 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 relative to their maturation date.

TANGIBLE FIXED ASSETS

Tangible fixed assets have been entered at their purchase price, inclusive of any accessorial costs; during 2010 no value devaluations or re-evaluations were carried out.

The cost of the fixed assets has been depreciated based on percentages that reflect their presumed economic life, according the fiscal legislation currently in force.

INTANGIBLE FIXED ASSETS

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 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, to which was added 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 laws 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".

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)

	2010	2009
cash and other valuables	17,170,988	7,201,573

The cash account is composed of banknotes and coins totalling 17,169.366 euro, of 60 Swiss francs worth the equivalent of 48 euro and 2,103 U.S. dollars worth the equivalent of 1,574 euro.

1.2 INTER-BANK LOANS (BREAKDOWN OF ITEM 2)

	2010	2009
inter-bank loans	311,215,817	385,214,210
- sight credits	17,784,025	196,037,596
- other credits	293,431,792	189,176,614

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	
	2010	2009	2010	2009	2010	2009
<i>sight credits</i>						
- current accounts	17,304,055	195,521,348	479,970	516,247	17,784,025	196,037,596
- other technical forms	0	0	0	0	0	0
<i>other credits</i>						
- term deposits	22,007,905	87,302,395	299,356	1,874,219	22,307,261	89,176,614
- securities lending	271,124,531	100,000,000	0	0	271,124,531	100,000,000
<i>of which:</i>						
- matured subsidies	3,074,531	0				
Total	310,436,491	382,823,743	779,326	2,390,466	311,215,817	385,214,210
<i>of which:</i>						
- with non-residents	39,311,960	282,823,743	779,326	2,390,466	40,091,286	285,214,210
- with residents	271,124,531	100,000,000	0	0	271,124,531	100,000,000

The variations in the items are due to the actions taken by the Central Bank to assure liquidity in San Mario's financial system.

Asset out by the Central Bank Statutes the granting of credit to supervised parties working in the territory of the Republic must be adequately assured by guarantees.

The "matured subsidies" item amounting to 3,074,531 euro is the residual debt that a supervised subject must reimburse on a loan that matured on 31/12/2010, and on which said subject has paid in full all interest due for 2010.

The "accrued interest" accrued and matured amounted to 4,517 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)

	2010	2009
customer loans	14,486,441	17,347,384



FIGURES IN EURO

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

	EURO		OTHER CURRENCIES		TOTAL	
	2010	2009	2010	2009	2010	2009
- current accounts	108,146	109,449	0	0	108,146	109,449
- mortgage loans	495,894	531,304	0	0	495,894	531,304
- other mortgages	13,882,401	16,706,631	0	0	13,882,401	16,706,631
- other credits	0	0	0	0	0	0
Total	14,486,441	17,347,384	0	0	14,486,441	17,347,384
<i>of which:</i>						
- granted to non-resident customers	0	0	0	0	0	0
- granted to resident customers	14,486,441	17,347,384	0	0	14,486,441	17,347,384

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

"Mortgage loans" include those granted to dependent employees of the Central Bank, which the "other mortgages" contains the remaining portion of the loans granted to the Public Administration.

The accrued and matured "fees to be debited to customers" amounting to 577 euro have been included under the "customer loans" item.

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)

	2010	2009
bonds and other debt securities	253,607,798	227,729,802
- issued by public bodies	16,167,366	5,839,209
- issued by banks	185,000,573	180,152,097
- issued by financial institutions	29,981,943	14,669,033
- issued by other bodies	22,457,916	27,069,463

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

	2010	2009
shares, quotas and other capital securities	1,463	2,973,674

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

	Balance Sheet value		market value	
	2010	2009	2010	2009
1. debt securities	253,607,798	227,729,802	255,152,661	232,623,138
1.1 Government securities	0	0	0	0
1.2 other securities	253,607,798	227,729,802	255,152,661	232,623,138
2. capital securities	1,463	2,973,674	3,120	3,474,612



FIGURES IN EURO

“Capital Securities” diminished significantly, given that on 22nd October 2010 the last portion of quotas that the Central Bank held in a mutual investment fund was sold. At the closure of the Balance Sheets this item was entirely composed of the value of Swift operations. The comparison between the Balance Sheet value and the market one, carried out according to the previously described criteria, shows a potential capital gain of 1.5 million euro which – in observance of the accounting principal of prudence – has not been entered onto the Balance Sheet.

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

	2010	2009
A. Initial balance	230,703,476	422,262,351
B. Increases	620,494,587	863,018,577
B.1 purchases	613,594,067	852,600,608
- debts securities	613,594,067	852,600,608
<i>Government securities</i>	0	0
<i>other securities</i>	613,594,067	852,600,608
- capital securities	0	0
B.2 value recoveries and revaluations	0	0
B.3 transfers from investment portfolio	0	0
B.4 other variations	6,900,520	10,417,969
C. Decreases	597,588,802	1,054,577,452
C.1 sales and refunds	595,517,633	1,053,501,964
- debts securities	595,517,633	1,053,501,964
<i>Government securities</i>	0	0
<i>other securities</i>	595,517,633	1,053,501,964
- capital securities	0	0
C.2 value adjustments	1,706,728	127,266
C.3 transfers from investment portfolio	0	0
C.4 other variations	364,441	948,222
D. Final balance	253,609,261	230,703,476

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

Item B.1: Purchases

included:

- Issue margins due, as of the negotiation date, on non-listed fixed income Securities for a total of 107,048 euro.

Item B.4: Other variations

included:

- proceeds from securities negotiation for a total of 6,796,937 euro;

- issue margins amounting to 103,584 euro, for non-listed, fixed income securities matured as of 31/12/2010.

Item C.1: Sales and refunds

included:

- issue margins matured on the negotiation/refund date on fixed-income, non-listed securities for a total of 230,189 euro.

Item C.2: Value adjustments

included:

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

Item C.4: Other variations

included:

- losses from securities negotiation.



SECTION 3 - HOLDINGS

3.1 HOLDINGS (BREAKDOWN OF ITEM 6)		
	2010	2009
holdings	446,050	325,425

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

Name and headquarters	Profits/Losses on 31/12/2010	Net equity on 31/12/2010	Quota %	Balance Sheet value
Main holdings				
- S.p.A. ISIS (San Marino)	120,625	911,981	48.91%	446,050

The amounts relative to the net equity and the Balance Sheet figures of the firm for which holdings exist have been shown as per that company's Balance Sheet proposal for 2010.

It should be pointed out that the "profits/losses on 31st December" item is included in the net equity value, under the item "other reserves", and was taken into account for the purposes of determining the Balance Sheet value.

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

	2010	2009
A. Initial balance	325,425	254,682
B. Increases	120,625	70,743
B.1 purchases	0	0
B.2 value recoveries	0	0
B.3 revaluations	120,625	70,743
B.4 other variations	0	0
C. Decreases	0	0
C.1 sales	0	0
C.2 value adjustments	0	0
C.3 other variations	0	0
D. Final balance	446,050	325,425
E. Total revaluations	375,700	255,075
F. Total adjustments	181,929	181,929

With reference to the above table it is important to point out the following:

Item B.3: Revaluations

This includes the 120,625 euro increase in the equity of the company S.p.A. ISIS, calculated on its 2010 Balance Sheet figures.

Item E.: Total revaluations

included:

- past revaluations in holdings in the firm Cestud S.p.A. totalling 22,441 euro (holding devalued during the 2008 financial statements period);
- past revaluations in holdings in the firm S.p.A. ISIS totalling 353,259 euro.

Item F.: Total adjustments

Includes past revaluations in holdings in S.p.A. ISIS totalling 134,698 carried out and paid for in past Balance Sheets, and the total devaluation of the holding CESTUD s.p.a totalling 47,231 euro.



FIGURES IN EURO

SECTION 4 - INTANGIBLE AND TANGIBLE FIXED ASSETS, AND LEASING

4.1 INTANGIBLE FIXED ASSETS (BREAKDOWN OF ITEM 8)

	2010	2009
intangible fixed assets	94,018	89,222

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

Type of good	2010			2009		
	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	200,525	199,446	1,079	198,906	198,906	0
softwares	3,775,175	3,682,235	92,939	3,692,427	3,603,205	89,222
concession patents/licenses/brands	1,250	1,250	0	1,250	1,250	0

Balance Sheet movements can be broken down as follows:

	2010	2009
A. Initial balance	89,222	45,724
B. Increases	84,366	113,322
B.1 purchases	84,366	113,322
B.2 value recoveries	0	0
B.3 revaluations	0	0
B.4 other variations	0	0
C. Decreases	79,570	69,824
C.1 sales	0	0
C.2 value adjustments	79,570	69,824
- depreciations	79,570	69,824
- lasting devaluations	0	0
C.3 other variations	0	0
D. Final balance	94,018	89,222

Item B.1: Purchases

This includes the cost of software programmes totalling 82,748 euro, as well as pluriennial costs on goods for third parties totalling 1,618 euro.

Item C.2: Value adjustments

Includes the relevant depreciation quotas totalling 79,570 euro, calculated according to the direct method.

4.2 TANGIBLE FIXED ASSETS (BREAKDOWN OF ITEM 9)

	2010	2009
tangible fixed assets	5,572,613	5,861,472
- owned assets	5,572,613	5,861,472



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

Type of good	2010			2009		
	Original cost	Depreciation fund	Balance Sheet value	Original cost	Depreciation fund	Balance Sheet value
owned assets						
- essential buildings	5,433,190	1,086,638	4,346,552	5,483,190	877,310	4,605,879
- pluriennial costs on buildings	870,864	109,384	761,480	853,713	74,549	779,164
- furnitures and furnishings	733,662	557,472	176,191	686,796	513,700	173,096
- systems and fittings	891,057	710,897	180,160	828,322	670,048	158,274
- electronic machines	749,571	705,385	44,186	747,325	682,911	64,414
- miscellaneous equipment	64,623	55,251	9,372	57,083	50,963	6,121
- motor vehicles	106,200	59,052	47,148	106,200	38,512	67,688
- electric machinery	12,401	11,177	1,224	11,177	10,641	536
- other owned goods	6,300	0	6,300	6,300	0	6,300

The Balance Sheet movements can be summarized as follows:

	2010	2009
A. Initial balance	5,861,472	5,933,445
B. Increases	151,146	317,098
B.1 purchases	143,146	317,098
B.2 value recoveries	0	0
B.3 revaluations	0	0
B.4 other variations	8,000	0
C. Decreases	440,005	389,069
C.1 sales	182	967
C.2 value adjustments	389,824	388,102
- depreciations	389,824	388,102
- lasting devaluations	0	0
C.3 other variations	50,000	0
D. Final balance	5,572,613	5,861,474

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

Item B.1: Purchases

Includes the costs for the purchase of:

- office furniture and furnishings totalling 46,867 euro;
- refurbishing and modernisation of buildings totalling 17,151 euro;
- electronic devices totalling 7,629 euro;
- machinery, systems and fittings totalling 62,735 euro;
- electric machinery totalling 1,224 euro;
- miscellaneous equipment totalling 7,540 euro.

Item B.4: Other variations

Includes the value of the depreciated quotas calculated on the partial reduction on the original cost of the owned building, referenced under item C.3.

Item C.1: Sales

Includes the residual value to be depreciated for the assets sold during 2010.

Item C.2: Depreciation

The depreciation carried out has been calculated on rates that consider the residual product life of the assets, according to the fiscal legislation currently in force.



FIGURES IN EURO

Item C.3: Other variations

This refers to the partial reduction in the original cost of the owned building, following a discount negotiated with a supplier for its refurbishment commitment set out in a sales contract that was never honoured.

SECTION 5 - OTHER ASSETS

5.1 OTHER ASSETS (BREAKDOWN OF ITEM 10)

	2010	2009
other assets	5,540,178	5,208,774
from rounding off in euro units	0	1

The following is the detailed breakdown of the "other assets":

	2010	2009
credit with the State:	415,089	413,970
- advances on General Income Tax	0	0
- higher taxes paid out for previous financial years	415,089	413,970
fees to be debited to:	45,160	86,381
- banks	45,160	86,381
- customers	0	0
c/a cheques drawn on other banks	0	343,033
other credit and miscellaneous items	5,079,929	4,365,389
Total	5,540,178	5,208,773

"Other credits and miscellaneous items" contains the credits for charges levied for 2010 surveillance costs totalling 1,005,000 euro, which supervised parties are obliged to pay back to the Central Bank by 31st May 2011. Furthermore included is the payment for 2010 which the Public Administration – in an agreement signed last 30th December – negotiated with the Central Bank for services provided to it.

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

	2010	2009
accrued revenues and deferred expenses	2,140,531	3,940,356
- accrued revenues	2,094,009	3,842,454
- deferred expenses	46,522	97,902

This entry can be broken down as follows:

	2010	2009
accrued revenues deriving from:	2,094,009	3,842,454
- interest on bank deposits	0	0
- interest on securities	1,299,608	2,489,029
- interest on mortgages	790,099	1,353,425
- interest on bank current accounts	4,302	0
deferred expenses deriving from:	46,522	97,902
- insurance premiums	421	63,778
- other sources	46,101	34,124
Total	2,140,531	3,940,356

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



SECTION 6 - DEBTS

6.1 DEBTS WITH BANKS (BREAKDOWN OF ITEM 1)

	2010	2009
debts with banks	149,514,418	192,688,132
- sight debts	62,514,418	184,202,223
- term or notice debts	87,000,000	8,485,909

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

	EURO		OTHER CURRENCIES		TOTAL	
	2010	2009	2010	2009	2010	2009
<i>sight debts</i>						
- current accounts	61,723,760	182,398,672	790,658	1,803,551	62,514,418	184,202,223
<i>term or notice debts</i>						
- time deposits	87,000,000	8,000,000		485,909	87,000,000	8,485,909
Total	148,723,760	190,398,672	790,658	2,289,460	149,514,418	192,688,132
<i>of which:</i>						
- with residents	148,723,760	190,398,672	790,658	2,289,460	149,514,418	192,688,132
- with non-residents	0	0	0	0	0	0

The variation in the "debts with banks" item is mainly due to the decrease in the obligatory minimum reserves of San Marino credit institutions, set out by Law Decree 162 of 3rd December 2009.

As in the Balance Sheet last year, the accrued and matured "Interest paid to banks" at the end of the Balance Sheet period was entered under the "Debts with banks" item; the present amount is 26,680 euro.

6.2 DEBTS WITH CUSTOMERS (BREAKDOWN OF ITEM 2)

	2010	2009
debts with customers	366,917,947	385,225,862
- sight debts	321,917,947	323,225,862
- term or notice debts	45,000,000	62,000,000

"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	
	2010	2009	2010	2009	2010	2009
<i>sight debts</i>						
- current accounts	321,897,829	323,159,695	20,118	66,167	321,917,947	323,225,862
- time deposits	45,000,000	62,000,000	0	0	45,000,000	62,000,000
Total	366,897,829	385,159,695	20,118	66,167	366,917,947	385,225,862
<i>of which</i>						
- with residents	366,717,899	384,890,567	20,118	66,167	366,738,017	384,956,734
- with non-residents	179,930	269,128	0	0	179,930	269,128



FIGURES IN EURO

6.3 DEBTS REPRESENTED BY SECURITIES (BREAKDOWN OF ITEM 3)

	2010	2009
debts represented by securities	8,818,799	3,094,125
- bonds	0	0
- certificates of deposit	7,000,000	0
- other securities	499,000	1,075,400
- cheques in circulation	1,319,799	2,018,725

"Other securities" represents the debt existing on 31st December 2010 for financing repurchase agreement operations.

"Cheques in circulation" includes drawing and receipt cheques issued by the Central Bank in the line of its Treasury Service duties.

During 2010 the Central Bank issued dematerialised, named certificates of deposit underwritten by a San Marino credit institution; the relative amount present on 31st December 2010 has been entered under the "certificates of deposit" item.

SECTION 7 - FUNDS

7.1 STAFF RETIREMENT ALLOWANCES (BREAKDOWN OF ITEM 6)

	2010	2009
staff retirement allowances	529,392	436,137

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:

	2010	2009
Balance on 1st January	436,137	352,821
Decreases		
- used to pay retirement allowances to staff	436,137	352,821
Increases		
- provisions made for financial year	529,392	436,137
Balance on 31st December	529,392	436,137

Pursuant to current employee contracts, the retirement allowances accrued during the 2010 Balance Sheet period were paid out in full to dependent employees by the 31st March 2011 deadline.

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.

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

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

	2010	2009
fund for general banking risks	47,136,730	40,536,730



The changes made during the Balance Sheet period are as follows:

	2010	2009
Balance on 1st January	40,536,730	27,896,730
Decreases	0	0
- use of fund	0	0
Increases	6,600,000	12,640,000
- provision made for the financial year	6,600,000	12,640,000
Balance on 31st December	47,136,730	40,536,730

During 2010 equity was further consolidated by the provision of 6,600,000 euro to the Fund for General Banking Risks.

8.2 ENDOWMENT FUND (BREAKDOWN OF ITEM 10)

	2010	2009
endowment fund	12,911,425	12,911,425

Pursuant to Art. 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)

	2010	2009
reserves	13,346,987	12,498,725
- ordinary reserves	4,318,640	3,930,567
- extraordinary reserves	8,652,646	8,313,082
- other reserves	375,701	255,076

As established by Art. 23 of the 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.

8.5 NET PROFIT (BREAKDOWN OF ITEM 13)

	2010	2009
net profit	1,880,987	970,183

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

SECTION 9 - OTHER LIABILITIES

9.1 OTHER LIABILITIES (BREAKDOWN OF ITEM 4)

	2010	2009
other liabilities	8,741,559	7,478,640



FIGURES IN EURO

The following is a detailed description of this entry:

	2010	2009
debts for supplies, services	343,498	408,524
debts with the State:	196,718	132,002
- direct taxes to be paid as withholding agent	196,307	131,249
- indirect taxes	411	753
debts for fees paid to "Council Members and Statutory Auditors"	104,139	90,863
debts with the ISS and the FSS	231,917	186,400
invoices to be received	117,669	267,537
debts with dependent employees	1,372,233	1,385,326
sums at the disposal of third parties:	6,263,987	4,972,549
- customers	6,255,320	4,956,669
- banks	8,667	15,880
other debts and miscellaneous items	111,398	35,439
<i>Rounded-off sums from maintaining Balance Sheet in euro units</i>	0	0
Total	8,741,559	7,478,640

"Debts with dependent employees" contains all the provisions for professional fees relative to 2010 to be paid out to personnel during the next financial statements period.

"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 2010 consultancy fees that will be paid out in the forthcoming financial year. The same entry, from 2010 onwards, contains the balance of the "account / sums in arrears": it contains the amounts for payments to be made by the State that remain suspended in the event that creditors also simultaneously have a debts with the State itself.

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

	2010	2009
accrued expenses and deferred revenues	477,652	51,933
- accrued expenses	477,652	46,941
- deferred revenues	0	4,992

This item may be broken down as follows:

	2010	2009
accrued expenses on:	477,652	46,941
- interest from bank deposits	398,393	6,794
- interest on customer deposits	57,452	38,351
- interest on repurchase agreements	1,655	1,796
- interest on bank current accounts	16,516	0
- interest on customer current accounts	8	0
- interest on bank certificates of deposit	3,629	0
- credit derivatives	0	0
deferred revenues on:	0	4,992
- miscellaneous expense recoveries	0	4,992
Total	477,652	51,933

The "interest on bank current accounts" entry contains interest taken in from financing granted to San Marino credit institutions.

"Interest on bank certificates of deposit" contains interest on certificates of deposit issued by the Central Bank and underwritten by a San Marino banking institution.



SECTION 10 - GUARANTEES AND COMMITMENTS

10.1 GUARANTEES ISSUED AND RECEIVED		
	2010	2009
guarantees issued	8,760,067	8,845,373
guarantees received	544,457,619	129,399,138

Under the entry "guarantees issued" are a bank suretyship issued on behalf of the Public Administration to various Bodies. Under the "guarantees received" entry are those guarantees relating to financing issued that may be found under the "Credit with banks" entry, as well as the restrictions placed on the availability of Public Administration accounts, together with guarantees relating to encashment extensions for Treasury Services.

10.2 COMMITMENTS		
	2010	2009
sales with repurchase obligation	502,523	1,078,963
purchases with transfer obligation	0	0
foreign currencies and securities to be received	0	18,463,436
foreign currencies and securities to be delivered	0	13,926
other commitments	0	417,134
Total	502,523	19,973,459

The "sales with repurchase obligation" entry refers to the repurchase operations existing on 31st December 2010, 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.

SECTION 12 - MANAGEMENT AND INTERMEDIATION FOR THIRD PARTIES

12.1 SECURITIES NEGOTIATION		
This has not been addressed, given that no balance exists for the item.		
12.2 ASSET MANAGEMENT		
This has not been addressed, given that no balance exists for the item.		
12.3 SECURITIES CUSTODY AND MANAGEMENT		
	2010	2009
securities custody and management	370,603,872	300,016,453
Total	370,603,872	300,016,453



FIGURES IN EURO

The following is the breakdown of the “securities custody and management” entry:

Deposited third party securities	111,644,824
third party securities in vault:	
- securities and savings deposit books deposited for customers	0
- finance bills issued by the Republic of San Marino for the IMF and the World Bank	14,576,917
- notes payable	941
- bonds, shares and similar securities	9,810,135
third party securities deposited with third parties	87,256,832
Owned securities deposited with third parties	258,459,270
- bonds and similar securities	258,459,270
- owned mutual fund quotas deposited with third parties	0
- shares	0
Owned securities deposited in vault	499,778
- valuables and shares	449,778
Total	370,603,872

The value of the “Securities and savings books deposited for customers” entry is zero, pursuant to paragraph 2, Art. 3 of Legal Decree 136 of 22nd September 2009, which set out that nominative savings deposit books shall be converted into nominative current accounts.

“Third party Securities deposited for third parties” contains – besides amounts from the securities purchase and sales operations of the Central Bank’s dependent employees – the securities deposited by San Marino banks as a guarantee against financing received.

12.4 CREDIT ENCASHMENT FOR THIRD PARTIES: VALUE ADJUSTMENT DEBTS AND CREDITS

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

12.5 OTHER OPERATIONS

	2010	2009
other operations	122,880,102	102,353,407
Total	122,880,102	102,353,407

The “other operations” entry can be broken down as follows:

- ruoli IGR (tax rolls): being collected	10,177,128
- Mano Regia: being collected	4,215,256
- Overdue Tax Collection Dept.: being collected	108,016,368
- third party goods deposited with third parties	471,350
Total	122,880,102

“Other operations” refer to :

- Public Administration credits registered according to the respective roles being exercised by the competent public offices for which the Central Bank carries out the encashment; the aforesaid is pursuant to Art. 52 and laws 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 with collecting, pursuant to Law 70/2004;
- Goods garnished by the Esattoria of the Central Bank (i.e. its Overdue Tax Collection Department), and deposited with third parties pending sale by auction pursuant to Art. 70 and legislation passed subsequent to Law 70/2004.



Part C - Information on the Profit and Loss Account

SECTION 1 - INTEREST

1.1 INTEREST INCOME AND OTHER PROCEEDS (BREAKDOWN OF ITEM 1)

	2010	2009
interest income and other proceeds	12,429,797	11,867,728

"Interest income and other proceeds" were accrued on:

	2010	2009
a) inter-bank loans	5,902,819	469,322
of which: credit in foreign currencies	2,014	4,526
b) customer loans	228,666	1,771,459
of which: credit in foreign currencies	0	0
c) Government securities and bonds	6,298,312	9,626,947
of which: bonds, securities in foreign currencies	0	0
Total	12,429,797	11,867,728

The fall in "Interest income and proceeds accrued on Government securities and bonds" was due to lower average deposits in the centralised accounts of San Marino as well as to a decrease in interest rates.

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

	2010	2009
interest paid and other costs	2,473,934	2,569,130

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

	2010	2009
a) debts with banks	1,076,630	340,446
of which: debts in foreign currencies	4,416	3,873
b) debts with customers	978,414	2,189,267
of which: debts in foreign currencies	56	200
c) debts represented by securities (repurchase agr.mts)	418,890	39,417
of which: repos on securities in foreign currencies	0	0
Total	2,473,934	2,569,130

The decrease in "debts with customers" is due to the lower deposits present on the centralised accounts of the Public Administration, while the increase in the "debts with banks" entry can be traced to the presence of a higher deposits in banks' escrow accounts.

SECTION 2 - COMMISSIONS

2.1 COMMISSIONS EARNED (BREAKDOWN OF ITEM 4)

	2010	2009
commissions earned	3,335,048	3,035,582



FIGURES IN EURO

“Commissions earned” refers to:

	2010	2009
a) management, brokerage and consultancy services:	177	87
1) securities negotiation	177	87
2) custody and management of securities	0	0
b) collection and payment services	3,326,616	3,027,310
c) other services	8,255	8,185
Total	3,335,048	3,035,582

“The collection and payment services” entry contains the profits stemming from the provision of services to the Public Administration as a whole, for which in 2010 – on the basis of a three-year agreement (2010-2012) signed on 30th December 2010 – the agreed upon amount was 3,300,000 euro.

2.2 COMMISSIONS PAID (BREAKDOWN OF ITEM 5)

	2010	2009
commissions paid	66,889	66,589

“Commissions paid” refers to:

	2010	2009
a) credit derivatives	0	0
b) management and brokerage services	46,927	50,575
1) securities negotiation	12,023	0
2) securities custody and management	34,904	50,575
c) collection and payment services	3,307	3,040
d) other services	16,655	12,974
Total	66,889	66,589

SECTION 3 - PROFITS AND LOSSES FROM FINANCIAL OPERATIONS

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

	2010	2009
profits from financial operations	4,728,559	8,937,072

To correctly interpret the difference in the value compared to last year requires keeping in mind that the 2009 sum was generated by significant trading activities, as well as by devaluations – carried out at the end of 2008 – of securities at their market price; said devaluations, during the economic recovery in the year that followed, generated considerable profits.

The changes in this entry can be summarised as follows:

	Securities transactions 2010	Foreign currencies transactions 2010	Total 2010
A.1 revaluations	0	0	0
A.2 devaluations	-1,706,728	0	-1,706,728
B. other profits/losses	6,432,496	2,791	6,435,287
Total	4,725,768	2,791	4,728,559
1. Government bonds	0	0	0
2. other debt securities	4,725,768	0	4,725,768
3. capital securities	0	0	0

**Item A.2: Devaluations**

This represents the value of the capital loss to the Securities portfolio on 31st December 2010.

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 profit entered from transactions in foreign currencies.

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

	2010	2009
administrative costs	10,620,719	9,435,478

"Administrative costs" can be broken down as follows:

	2010	2009
a) Labour costs	6,914,064	5,983,802
- wages and salaries	4,342,004	3,630,837
- pension contributions	1,260,679	1,107,278
- retirement allowances	544,748	439,162
- other labour costs	752,032	768,189
- training and professional update courses	14,601	38,336
b) other administrative costs	3,706,655	3,451,676
- graphic art work and advertising	26,576	39,010
- insurance	141,090	133,953
- miscellaneous utilities and cleaning of premises	181,893	173,052
- forms, stationary, newspapers and publications	76,588	101,576
- postal, telephone and telex services	203,775	179,901
- expendables and spares	17,982	18,376
- retribution for 'Council Members and Statutory Auditors'	116,639	90,863
- professional consultancy fees	1,214,231	920,194
- reimbursement: personnel/consultant travel expenses	20,786	180,016
- miscellaneous and varied expenses	321,000	316,812
- rentals, technical assistance, repairs and various services	1,254,290	1,202,601
- association membership and similar fees	6,640	11,802
- rents	125,165	83,520
Total	10,620,719	9,435,478

The "insurance" entry includes the premiums concerning policies for the liability of individual administrators and officers (D&O policy) as well as dependent employees (policy for professional liability under civil law circumstances), respectively for 26,170 euro and 84,900 euro; the policies cited have been stipulated with retroactive coverage as of the date on which the person covered entered the ranks of the Central Bank.

The "miscellaneous and varied expenses" entry contains a donation of 7,076 euro made to the Central Bank Foundation to compensate for losses during the 2010 financial statements period.

"Other labour costs" reflects staff production premiums, payments for employee holidays due but not taken as of 31st December 2010 and the 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)

	2010	2009
value adjustment on intangible and tangible fixed assets	469,394	457,927

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

	2010	2009
tangible fixed assets	389,824	388,102
- buildings	252,162	253,476
- furnitures, machines and utility systems, misc equip.mts, vehicles	137,662	134,626
intangible fixed assets	79,570	69,824
- concession of patents, brands and rights	0	0
- softwares	79,031	69,824
- installation and extension costs	0	0
- pluriennial costs on third party goods	539	0
Total	469,394	457,927

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)

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

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

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



SECTION 6 - OTHER PROFIT AND LOSS ACCOUNT ITEMS

6.1 DIVIDENDS AND OTHER PROCEEDS (BREAKDOWN OF ITEM 3)

During the 2010 financial statements period the firm S.p.A. ISIS did not pay out any dividends.

6.2 OTHER OPERATING PROCEEDS (BREAKDOWN OF ITEM 7)

	2010	2009
other operating proceeds	1,706,983	2,440,585

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

	2010	2009
- rents received	23,901	23,438
- accounting	0	375
- recovery of personnel expenses	26,773	20,279
- miscellaneous reimbursements	576,470	1,118,912
- recovery of sums levied from supervised parties	1,005,000	1,246,226
- credit notes, allowances and positive rounding-off figures	43,474	220
- proceeds from Overdue Tax Collection services	31,365	31,134
Total	1,706,983	2,440,585

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 2010 Balance Sheet period; the total was communicated to the supervised parties by 31st March 2011, as set out by Law Decree 117 of 6th November 2006.

"Proceeds from Overdue Tax Collection" relate to the incoming sums stemming from executive actions and interest paid on delayed payments.

6.3 OTHER OPERATING COSTS (BREAKDOWN OF ITEM 8)

	2010	2009
other operating costs	123,797	183,281

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

6.4 EXTRAORDINARY PROCEEDS (BREAKDOWN OF ITEM 18)

	2010	2009
extraordinary proceeds	87,274	48,587
<i>of which: rounding-off due to publishing Financial Statements in euro units</i>	0	1

"Extraordinary proceeds" refers to miscellaneous windfall assets and capital gains on instrumental goods.

6.5 EXTRAORDINARY COSTS (BREAKDOWN OF ITEM 19)

	2010	2009
extraordinary costs	51,942	6,966
<i>of which: rounding-off due to publishing Financial Statements in euro units</i>	0	0

"Extraordinary costs" refers to miscellaneous contingent liabilities.



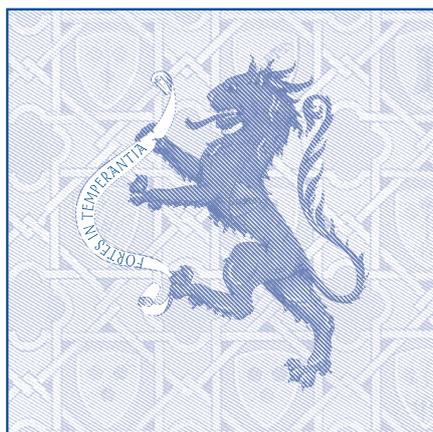
FIGURES IN EURO

SECTION 7 - OTHER PROFIT AND LOSS ACCOUNT INFORMATION

7.1 THE TERRITORIAL DISTRIBUTION OF PROCEEDS

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

APPENDIX TO THE NOTES



Appendix to the Notes

Annex 1

HUMAN RESOURCES SCHEDULE

Dependent employees: SHOWN ACCORDING TO ORGANISATIONAL HIERARCHY

	2010 ⁽²⁾	2009 ⁽¹⁾	2008	2007
SENIOR OFFICERS	1.08%	0.0%	0.0%	0.0%
OFFICERS	16.13%	19.05%	20.0%	15.4%
FRONT OFFICE MGRS./CLERKS	77.42%	77.38%	77.1%	81.5%
SUPPORT STAFF	5.38%	3.57%	2.9%	3.1%
	100.0%	100.0%	100.0%	100.0%

Dependent employees: VARIATIONS

	2010 ⁽²⁾	2009 ⁽¹⁾	2008	2007
TOTAL PERSONNEL at the start of the year:	84	70	65	62
- HIRING	11	17	5	4
- TERMINATIONS	2	3	0	1
TOTAL PERSONNEL at the end of the year:	93	84	70	65
of which having fixed-term contracts	4	4	0	3
ANNUAL VARIATION	11%	20%	8%	5%
REAL AVERAGE RESOURCES ⁽³⁾	82,81	70,35	61,1	56,3

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

(2) Includes the Director General, given that he is a dependent employee.

(3) Calculated at the beginning of the year. Includes the Director General and External Inspectors. Takes into consideration hiring and resignation dates, long-term absences (leaves, transfers, maternity leave) and part time employees.
Averages: end-of-month 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
Balances on 31/12/2009	12,911,425	3,930,567	8,313,082	255,076	40,536,730	970,183	66,917,063
2009 profit provisions:							
- to ordinary reserves		388,073				-388,073	
- to extraordinary reserve			339,564			-339,564	
- to other reserves							
- to reserves unavailable shareholders				120,625			120,625
						-242,546	-242,546
2010 Balance Sheet provisions					6,600,000		6,600,000
2010 profits to be allocated						1,880,987	1,880,987
Balances on 31/12/2009	12,911,425	4,318,640	8,652,646	375,701	47,136,730	1,880,987	75,276,129



Annex 3
2010 STATEMENT OF FINANCIAL CONDITIONS

Funds generated and collected	2010	2009
Funds deriving from operations		
Profit for the financial year	1,880,987	970,183
Provisions to the Fund for General Banking Risks	6,600,000	12,640,000
Provisions to Staff Retirement Fund	529,392	436,137
Value adjustments on fixed assets	469,394	457,927
	9,479,773	14,504,247
Increases in the funds collected		
Other liabilities	1,262,919	0
Debts with banks	0	117,692,965
Debts with customers	0	2,305,241
Debts represented by securities (repos and certificates of deposit)	5,724,674	0
Other variations	0	0
Accrued expenses and deferred revenues	425,719	0
	7,413,312	119,998,206
Decreases in the funds used		
Other assets	0	0
Shares, quotas and other capital securities	2,972,211	0
Cash and available funds	0	2,599,879
Intangible fixed assets	0	0
Tangible fixed assets	50,182	967
Accrued revenues and deferred expenses	1,799,825	2,379,900
Inter-bank loans	73,998,393	0
Bonds and other debt securities	0	191,558,875
Customer loans	2,860,944	733,612
Holdings	0	0
	81,681,555	197,273,233
Total funds generated and collected	98,574,640	331,775,686



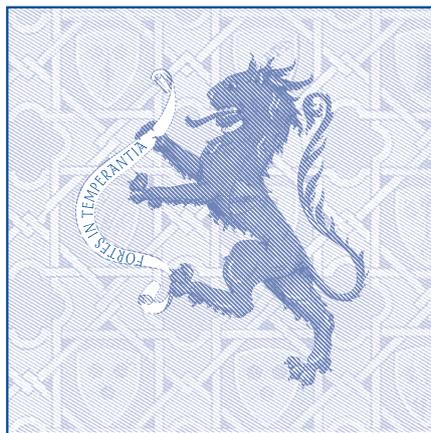
FIGURES IN EURO

Annex 3
2010 STATEMENT OF FINANCIAL CONDITIONS

Funds used and spent	2010	2009
Value recoveries and use of funds deriving from operations		
Value recoveries	0	0
Utilisation of other funds	0	0
Dividends paid out	242,546	224,336
Other reserves (unavailable reserves)	-120,625	-70,743
Utilisation of Staff Retirement funds	436,137	352,821
	558,058	506,414
Increases in funds spent		
Other assets	331,404	3,406,729
Other variations	8,000	0
Cash and available funds	9,969,415	0
Inter-bank loans	0	321,996,344
Customer loans	0	0
Intangible fixed assets	84,366	113,322
Tangible fixed assets	143,146	317,098
Shares, quotas and other capital securities	0	0
Bonds and other debt securities	25,877,996	0
Holdings	120,625	70,743
Accrued revenues and deferred expenses	0	0
	36,534,952	325,904,236
Decreases in funds collected		
Other liabilities	0	1,455,105
Debts with banks	43,173,714	0
Debts with customers	18,307,915	0
Debts represented by securities	0	3,216,392
Accrued expenses and deferred revenues	0	693,539
	61,481,629	5,365,036
Total funds used and spent	98,574,639	331,775,686



BOARD OF AUDITORS REPORT
ON THE BALANCE SHEETS
CLOSED ON 31 DECEMBER 2010



Dear Shareholders,

the Balance Sheets closed on 31st December 2010, which the Board of Directors 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 San Marino; Law 165 of 17/11/2005 – the Law Concerning Firms 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 Balance Sheets and the Notes thereto were made available to the Board of Auditors on 20th April 2011, following the approval thereof by the Governing Council during its meeting on that date. The Governing Council's Report was made available to the Board on 26th April 2011.

The Board of Auditors had already previously renounced the deadline contained in Article 83 Paragraph 1 of Law 47 of 23/02/2006 (the Law Concerning Corporations).

The Notes to the Financial Statements contain a detailed description of the process which determined net profits amounting to euro 1,880,987 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 units, 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 Sheets, and have been highlighted in that document 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 for drawing up bank Financial Statements:



FIGURES IN EURO

LIABILITIES	582,136,497
ENDOWMENT FUND	12,911,425
RESERVES	13,346,987
PROFIT	1,880,987
ASSETS	610,275,896
GUARANTEES AND COMMITMENTS	
GUARANTEES ISSUED	8,760,067
GUARANTEES RECEIVED	544,457,619
COMMITMENTS	502,523
SUSPENCE ACCOUNTS	
ASSET MANAGEMENT	0
DEPOSITED THIRD-PARTY SECURITIES	24,387,992
THIRD-PARTY SECURITIES DEPOSITED WITH THIRD PARTIES	87,256,832
OWNED SECURITIES DEPOSITED WITH THIRD PARTIES	258,459,270
OWNED VALUABLES IN BANK VAULT	499,778
OTHER OPERATIONS	122,880,102
TOTAL SUSPENCE ACCOUNTS	493,483,974
THE OUTCOME OF THE BALANCE SHEETS WAS CONFIRMED BY THE RECLASSIFIED PROFIT AND LOSS ACCOUNT, AS FOLLOWS	
MONEY MANAGEMENT MARGIN	9,955,862
PROCEEDS FROM FINANCIAL OPERATIONS	6,435,288
FINANCIAL OPERATION COSTS	-1,706,728
OTHER OPERATING PROCEEDS	3,369,990
OTHER OPERATING COSTS	-190,619
OTHER PROCEEDS	1,645,270
LABOUR COSTS	- 6,887,291
DEPRECIATION AND PROVISIONS COSTS	- 469,394
OTHER COSTS	- 3,706,722
ORDINARY OPERATING PROCEEDS	8,445,654
EXTRAORDINARY OPERATING PROCEEDS	740
EXTRAORDINARY OPERATING COSTS	0
WINDFALL PROCEEDS	87,134
WINDFALL COSTS	-51,942
PRE-PROVISIONS PROFITS	8,480,987
PROVISIONS TO FUND FOR GENERAL BANKING RISKS	-6,600,000
USE OF MISCELLANEOUS FUNDS	0
PRE-TAX PROFITS	1,880,987
INCOME TAXES	0
NET PROFITS	1,880,987

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

On 31st December 2010 the Fund for General Banking Risks, following the Balance Sheet plans, amounted to euro 47,136,730. Compared to the preceding Financial Statements the aforesaid increased by euro 6,600,000 - the value of which is equal to the amount of the provision deliberated by the Governing Council. It should be noted that the above-said Fund consists in net equity and serves to reinforce the Bank's equity position.

The allocation proposal made for net profits, as indicated in the Governing Council's Report, is in line with the procedures set out by Central Bank Statutes Article 23 Paragraph 4, which declares that "at least 40% should be allocated to Ordinary Reserves and at least 25% to the institutions and bodies holding capital therein". In this specific instance it is proposed that the Shareholders Assembly allocate 40% of profits to the Ordinary Reserve Fund and that the remaining 60% be distributed to capital-holding institutions and bodies.

AUDITING CHECKS

The Board of Auditors has examined the report made by the Independent Auditing firm appointed by the Shareholders Assembly, which arrived on 5th May 2011 and which - in its conclusion - expresses the following opinion: "...the above-mentioned Financial Statements conform with the laws that currently regulate the drawing up of Balance Sheets; they are thus presented with clarity, and truly and correctly represent the Bank's equity and financial position, as well as its economic performance."

SURVEILLANCE ACTIVITIES

- The Board of Auditors carried out its periodic checks during the 2010 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 Governing Council meetings, in accordance with the statutory and legislative regulations that govern the functioning of the Bank, and found that no irregular actions were deliberated nor were the law or Bank Statutes violated. Finally, none of the aforesaid actions were contrary to decisions taken during the Shareholders' Assembly;
- The Board of Auditors was kept informed by the Governing Council regarding the general procession of 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; during the aforesaid the Board of Auditors encountered no illegal actions nor violations of the Statutes;
- It is declared that the general organisation of the Balance Sheets in these Financial Statements is in line with the laws regulating 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 in each was carried out on the basis of identical criteria. The two documents may therefore be accurately compared.

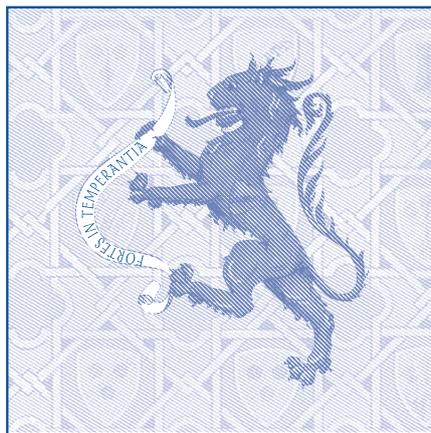
Given the facts outlined above, and keeping in mind that no irregular facts have emerged nor contrary reservations been expressed, this Board of Auditors declares the opinion that- to the extent of its responsibility and to the best of its knowledge - the information presented conforms with the laws governing the drawing up and structuring of Balance Sheets. Moreover, the aforesaid have been drawn up with clarity and represent the true and correct equity, financial and general economic performance of the Central Bank; the Board of Auditors therefore invites the Shareholders Assembly to approve the Balance Sheets closed on 31st December 2010 in the form proposed by the Governing Council.

Finally, the members of the Board of Auditors would like to express their gratitude to the Governing Council, the Director General, the Vice Director General and the Officers for their cooperation and willingness to facilitate Board Members' understanding of the facts and the carrying out of all of the above-mentioned surveillance checks.

San Marino, 11th May 2011

The Board of Auditors
Irene Lonfernini
Massimo Francioni
Guido Zafferani

INDEPENDENT AUDITOR'S REPORT



**Report of the Independent Audit Firm
according to art. 23, comma 3 of Statutes**
(This report has been translated from the original Italian text
which was issued in accordance with the legislation)

To the Quotaholders of
Banca Centrale della Repubblica di San Marino

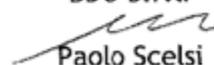
1. We have audited the statutory financial statements of Banca Centrale della Repubblica di San Marino as of and for the year ended December 31, 2010. The responsibility of these financial statements is up to the Administrators of Banca Centrale della Repubblica di San Marino. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with International Standards on Auditing (ISAs) issued by (International Auditing and Assurance Standards Board (IASB). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and are, as a whole, 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.

For the opinion on the statutory financial statements of prior year, which are presented for comparative purposes as required by the law, reference should be made to other auditor's report issued on May 14, 2010.

3. In our opinion, the statutory financial statements comply with the regulations governing financial statements; accordingly, they present clearly and give a true and fair view of the financial position and the results of its operations for the year then ended.
4. As illustrated by the Administrators and pursuant to the legislation currently in force, the Profit and Loss Account for the 2010 Financial Statements period includes provisions to the Fund for General Banking Risks amounting to 6.600.000 euro, as the aforesaid constitutes net equity and therefore serves to consolidate said equity.

Dogana, 2 May 2011

BDO S.r.l.



Paolo Scelsi
Administrator

Finito di stampare
Giugno 2011

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



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