BANCA CENTRALE
DELLA REPUBBLICA DI SAN MARINO

Annual Report

2011

FORTES IN TEMPERANTIA

BANCA CENTRALE
DELLA REPUBBLICA DI SAN MARINO

2011

Annual Report

BANCA CENTRALE DELLA REPUBBLICA DI SAN MARINO
Publicly and privately owned entity
Cod. Op. Ec. SM04262 - Endowment fund euro 12,911,425,00

Registered office - Via del Voltone, 120 - 47890 San Marino - Republic of San Marino
tel. 0549 882325 fax 0549 882328
country code (+) 378 swift code: icsmsmsm
www.bcsm.sm

CONTENTS

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 Statutory Auditors

Lonfernini Irene	Chairman
Francioni Massimo	Statutory Auditor**
Zafferani Guido	Statutory Auditor

Directorate General

Giannini Mario	Director General
Bernardi Daniele	Deputy Director General

Supervision Committee

Giannini Mario	Chairman
Gumina Antonio	External Inspector ***
Vivoli Andrea	Internal Inspector

* On 28th May 2012
** Resignation tendered as of 28th March 2012
*** As of 2nd May 2011

BANCA CENTRALE
DELLA REPUBBLICA DI SAN MARINO

Governing Council Report on 2011 Management

Dear Shareholders,

The main data and economic-equity indicators pertaining to 2011 management are summarized in the table below.

	2011	2010	Variations	
			absolute	%
Balance Sheet totals	**452,649,952**	**610,275,896**	**-157,625,944**	**-25.8%**
Inter-bank loans	218,029,769	311,215,817	-93,186.048	-29.9%
Customer loans	12,122,116	14,486,441	-2,364,325	-16.3%
Bonds and other debt securities	196,855,644	253,607,798	-56,752,154	-22.4%
Shares, quotas and other capital securities	1,463	1,463	0	0.0%
Holdings	427,116	446,050	-18,934	-4.2%
Debts with banks	112,519,375	149,514,418	-36,995,043	-24.7%
Debts with customers	253,371,978	366,917,947	-113,545,969	-30.9%
Debts represented by securities	2,713,684	8,818,799	-6,105,115	-69.2%
Total Net Equity*	75,522,968	75,276,129	246,839	0.3%
Money management margin	10,244,229	9,955,862	288,367	2.9%
Proceeds/Costs from financial operations	-2,586,139	4,728,559	-7,314,698	-154.7%
Financial management margin	7,658,090	14,684,421	-7,026,331	-47.8%
Gross contribution margin	11,139,744	17,863,792	-6,724,048	-37.6%
Gross operating margin	1,552,696	8,445,795	-6,893,099	-81.6%
Net profits	1,294,365	1,880,987	-586,622	-31.2%

* The total includes the Endowment fund, Reserves, The Fund for General Banking Risks and Balance Sheet profits.

An examination of the total assets shows that they decreased from 610 to 453 million euro.

This decline of 157 million can be seen among the Liabilities as a reduction in “Debts with Customers” amounting to 114 million, in “Debts Represented by Securities” of 6 million and in the “Debts with Banks” item for a total of 37 million.

Among balance sheet Assets the securities portfolio, composed of “Bonds and Other Debt Securities”, dropped from 254 to 197 million, while “Inter-Bank Loans” fell by 93 million and “Customer Loans” decreased by 2 million.

The value of the Holdings in S.p.A. I.S.I.S. diminished slightly, going from 446 thousand euro to 427 thousand euro, owing to the distribution of dividends from its 2010 financial statements during 2011. The aforesaid operation was not compensated for - at the end of 2011 - by an equivalent revaluation of the total net equity on the basis of the proposed financial statements carried out by the company in which these holdings are kept.

On 31st December 2011 the “Total Equity” of the Bank, composed of the Endowment Fund, Reserves, the Fund for General Banking Risks and Undistributed Profits from 2011, had grown by about 247 thousand euro, compared to the same amount present on the analogous date in 2010.

The Reclassified Profit and Loss Account provides details on the management performance of the main income margins.

From an initial amount exceeding 10 million euro, the “Money Management Margin” registered an increment of 2.9%; this was due to a rise in the “Interest Received” item, which was comparatively higher than the “Interest Paid”.

A loss of around 2.6 million euro is the net outcome of “Financial Operation Costs”; this was mainly caused by a loss in value stemming from the valuation of portfolio securities on 31st December 2011, based on the criteria of selecting the lowest amount between the purchase cost and the average market price for the month of December 2011.

In the last Financial Statements a net amount of about 4.7 million euro was present. Thus, the “Financial Management Margin” fell by about 7 million euro between 2010 and 2011.

During the last year, taking into consideration all the income components shown in the “Securities Management” of the portfolio, the overall performance boost was above 2%.

The “Gross Contribution Margin”, conversely, decreased by about 6.7 million euro, in that the “Other Operating Proceeds/Costs” produced a net gain of about 300 thousand euro above the amount present in the preceding Financial Statements. This was due partially to the revaluation of commissions set down in the Agreement establishing payment for Bank services rendered to San Marino’s Public Administration.

Moving on, the items that affect the “Gross Operating Margin” performance are a rise in labor, i.e. personnel costs, which can be attributed to the addition of about 2 human resource units (compared to the average number present in the Bank); this is besides planned contractual adjustments, i.e. increments, compared to 2010. Additionally, the entering of pension contributions, provisions to the retirement fund and payment of unused holiday time affected this item.

The final “Gross Operating Margin” was therefore 1.6 million, compared to 8.4 million in 2010.

Given the proposed provision to the General Banking Risks Fund of 100 thousand euro, net profits amount to 1,294,365 euro, i.e. a drop of 31.2% compared to last year.

It should be noted that, in accordance with its Statutes (Law 96/2005), Central Bank profits are exempt from 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 (%)	2011	2010
Gross contribution margin / Total assets	2.5%	2.9%
Ordinary operating margin / Total assets	0.3%	1.4%
Net profit / Net equity (ROE)	1.7%	2.5%
Net profit / Total assets	0.3%	0.3%

PRODUCTIVITY INDEX (% - euro)	2011	2010
Labour costs*/Gross contribution margin	65.8%	40.3%
Ordinary operating margin / Annual average: Human Resources**	18,424	101,988
Ordinary operating margin / Net equity	2.1%	11.2%

* Net of reimbursement costs for staff on secondment and includes staff with repeat but temp. employment contracts
** Personnel actually present at the Bank, per the Human Resources Schedule (Annex no.1 to the Notes)

Dear Shareholders,

on behalf of the Governing Council, pursuant to Art. 23 of its Statutes, the following allocation of profits amounting to 1,294,365 euro is proposed:

	euro
To the Ordinary Reserve Fund	517,746
To the Extraordinary Reserve Fund	0
To Holding Bodies/Agencies	776,619

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	5,588,781
Extraordinary Reserve Fund	8,652,646
General Banking Risks Fund	47,236,730
Other Equity Reserves	356,767
Total Net Equity	**74,746,349**

Dear Shareholders,

The Governing Council's Report on 2011 Management was read and submitted for approval on 18th April 2012.

The Balance Sheets have been drawn up in accordance with the laws currently in force.

On behalf of the Governing Council – following the reading of the Board of Auditors Report – your approval is requested of the Balance Sheets and Financial Statements as a whole, as well as the allocation of profits in the manner proposed to you, pursuant to the laws currently in force.

Heartfelt thanks are due to the Director General and all Bank staff for the goals reached and their hard work in favour of the Bank, as well as to the Board of Statutory Auditors for its members' participation at Governing Council's meetings.

Finally thanks are extended to the Shareholders, the authorities of the Republic of San Marino and to its Public Administration for the level of cooperation shown.

San Marino, 28th May 2012.

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

No important events occurred.

2011
Financial Statements

Balance Sheet
Assets

FIGURES IN EURO

	2011		2010	
1. CASH AND OTHER VALUABLES	16,911,685	**16,911,685**	17,170,988	**17,170,988**
2. INTER-BANK LOANS		**218,029,769**		**311,215,817**
a) sight credits	2,134,142		17,784,025	
b) other credits	215,895,627		293,431,792	
3. CUSTOMER LOANS	12,122,116	**12,122,116**	14,486,441	**14,486,441**
4. BONDS AND OTHER DEBT SECURITIES		**196,855,644**		**253,607,798**
a) issued by public institutions	11,617,669		16,167,366	
b) issued by banks	147,908,727		185,000,573	
c) issued by financial institutions	20,812,942		29,981,943	
d) issued by other institutions	16,516,306		22,457,916	
5. SHARES, QUOTAS AND OTHER CAPITAL SECURITIES	1,463	**1,463**	1,463	**1,463**
6. HOLDINGS	427,116	**427,116**	446,050	**446,050**
7. HOLDINGS IN GROUP BUSINESSES	0	**0**	0	**0**
8. INTANGIBLE FIXED ASSETS	121,012	**121,012**	94,018	**94,018**
9. TANGIBLE FIXED ASSETS (net of funds)		**5,229,625**		**5,572,613**
a) owned assets	*5,229,625*		*5,572,613*	
aa) electronic office equipment	*23,501*		*44,186*	
ab) electric office machines	*1,113*		*1,224*	
ac) office furniture and furnishings	*132,776*		*176,191*	
ad) miscellaneous equipment	*12,250*		*9,372*	
ae) mechanical systems and fittings	*146,575*		*180,160*	
af) motor vehicles	*50,472*		*47,148*	
ag) real property	*4,129,224*		*4,346,552*	
ah) multi-year costs for real property	*727,414*		*761,480*	
aj) other owned property	*6,300*		*6,300*	
10. OTHER ASSETS	1,875,208	**1,875,208**	5,540,178	**5,540,178**
From rounding off in euro units	*1*		*0*	
11. ACCRUED REVENUES AND DEFERRED EXPENSES		**1,076,314**		**2,140,531**
a) accrued revenues	1,050,684		2,094,009	
b) deferred expenses	25,630		46,522	
TOTAL ASSETS		**452,649,952**		**610,275,896**

Balance Sheet
Liabilities

FIGURES IN EURO

	2011		2010	
1. DEBTS WITH BANKS		112,519,375		149,514,418
a) sight debts	35,519,375		62,514,418	
b) term or notice debts	77,000,000		87,000,000	
2. DEBTS WITH CUSTOMERS		253,371,978		366,917,947
a) sight debts	198,371,978		321,917,947	
b) term or notice debts	55,000,000		45,000,000	
3. DEBTS REPRESENTED BY SECURITIES		2,713,684		8,818,799
a) bonds	0		0	
b) certificates of deposit	1,500,000		7,000,000	
c) other securities (repurchase agreements)	219,000		499,000	
d) cheques in circulation	994,684		1,319,799	
4. OTHER LIABILITIES	7,203,049	7,203,049	8,741,559	8,741,559
From rounding off in euro units	*0*		*0*	
5. ACCRUED EXPENSES AND DEFERRED REVENUES		758,774		477,652
a) accrued expenses	758,774		477,652	
b) deferred revenues	0		0	
6. STAFF RETIREMENT ALLOWANCES	560,124	560,124	529,392	529,392
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	47,236,730	47,236,730	47,136,730	47,136,730
10. ENDOWMENT FUND	12,911,425	12,911,425	12,911,425	12,911,425
11. ISSUE PREMIUM	0	0	0	0
12. RESERVES		14,080,448		13,346,987
a) ordinary reserves	5,071,035		4,318,640	
b) extraordinary reserves	8,652,646		8,652,646	
c) other reserves	356,767		375,701	
13. NET PROFIT		1,294,365		1,880,987
TOTAL LIABILITIES		452,649,952		610,275,896

FIGURES IN EURO

GUARANTEES AND COMMITMENTS

	2011	2010
GUARANTEES ISSUED		
a) acceptances	0	0
b) other guarantees	9,047,984	8,760,067
GUARANTEES RECEIVED		
a) acceptances	0	0
b) other guarantees	452,756,423	544,457,619
COMMITMENTS		
a) sales with repurchase obligation	221,203	502,523
b) sales with transfer obligation	0	0
c) foreign currencies and securities received	0	0
d) foreign currencies and securities to be delivered	0	0
e) other commitments	0	0
TOTAL COMMITMENTS AND RISKS	**462,025,610**	**553,720,209**

SUSPENSE ACCOUNTS

	2011	2010
ASSET MANAGEMENT	**0**	**0**
SECURITIES CUSTODY AND MANAGEMENT		
a) deposited third party securities	28,500,212	24,387,992
b) third party Securities deposited with third parties	33,907,060	87,256,832
c) owned Securities deposited with third parties	204,840,001	258,459,270
d) owned valuables in bank vault	454,851	499,778
OTHER OPERATIONS	155,707,208	122,880,102
TOTAL SUSPENSE ACCOUNTS	**423,409,332**	**493,483,974**

Profit and Loss Account

FIGURES IN EURO

	2011	2010
1. INTEREST RECEIVED AND OTHER PROCEEDS	**14,898,397**	**12,429,797**
a) on inter-bank loans	8,976,926	5,902,819
b) on customer loans	230,619	228,666
c) on Government Securities and bonds	5,690,852	6,298,312
2. INTEREST PAID AND OTHER COSTS	**-4,751,986**	**-2,473,934**
a) on debts with banks	-2,437,359	-1,076,630
b) on debts with customers	-2,187,789	-978,414
c) on debts represented by securities (repos)	-126,838	-418,890
3. DIVIDENDS AND OTHER PROCEEDS	**97,818**	**0**
a) on shares, quotas and other capital securities	0	0
b) on holdings	97,818	0
c) on holdings in group businesses	0	0
4. COMMISSIONS RECEIVED	**3,609,139**	**3,335,048**
5. COMMISSIONS PAID	**-59,905**	**-66,889**
6. PROFITS (LOSSES) FROM FINANCIAL OPERATIONS	**-2,586,139**	**4,728,559**
7. OTHER OPERATING PROCEEDS	**1,696,317**	**1,706,983**
8. OTHER OPERATING COSTS	**-114,411**	**-123,797**
9. ADMINISTRATIVE COSTS	**-10,732,533**	**-10,620,719**
a) labour costs	-7,194,746	-6,914,064
aa) wages and salaries	-4,562,382	-4,342,004
ab) pension contributions	-1,297,896	-1,260,679
ac) retirement allowances	-569,756	-544,748
ad) severance and indemnity-related costs	0	0
ae) other labour costs	-764,712	-766,633
b) other administrative costs	-3,537,787	-3,706,655
10. VALUE ADJUSTMENTS ON INTANGIBLE AND TANGIBLE FIXED ASSETS	**-504,501**	**-469,394**
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 FUND	**0**	**0**

FIGURES IN EURO

	2011	2010
15. VALUE ADJUSTMENTS ON FINANCIAL ASSETS	0	0
16. VALUE RECOVERIES ON FINANCIAL ASSETS	0	0
17. PROFIT (LOSS) ON ORDINARY ACTIVITIES	1,552,196	8,445,655
18. EXTRAORDINARY PROCEEDS	39,263	87,274
from rounding off in euro units	*0*	*0*
19. EXTRAORDINARY COSTS	-197,094	-51,942
From rounding off in euro units	*0*	*0*
20. EXTRAORDINARY PROFIT (LOSS)	-157,831	35,332
21. VARIATION TO THE GENERAL BANKING RISKS FUND	-100,000	-6,600,000
22. INCOME TAX FOR THE FINANCIAL YEAR	0	0
23. PROFIT (LOSS) FOR THE FINANCIAL YEAR	1,294,365	1,880,987

Riclassified Profit and Loss Account

FIGURES IN EURO

	2011	2010
1. INTEREST RECEIVED	**9,207,545**	**7,899,497**
1.1 from customers	230,619	194,388
1.2 from banks	8,976,926	7,705,109
1.2.1 current account and sight deposits	*257,022*	*66,961*
1.2.2 term deposits and repos	*204,133*	*1,897,081*
1.2.3 other interest	*8,515,771*	*5,741,067*
2. INTEREST ON SECURITIES	**5,690,852**	**4,530,299**
3. DIVIDENDS AND OTHER PROCEEDS	**97,818**	**0**
4. INTEREST PAID	**-4,751,986**	**-2,473,934**
4.1 to customers	-2,193,454	-984,296
4.1.1 current account and sight deposits	*-1,549,577*	*-739,234*
4.1.2 term deposits and repos	*-643,877*	*-245,062*
4.2 to banks	-2,437,359	-1,076,630
4.3 other interest and costs	-121,173	-413,008
A. MONEY MANAGEMENT MARGIN	**10,244,229**	**9,955,862**
5. PROCEEDS FROM FINANCIAL OPERATIONS	**2,656,140**	**6,435,288**
6. FINANCIAL OPERATION COSTS	**-5,242,280**	**-1,706,728**
B. FINANCIAL MANAGEMENT MARGIN	**7,658,089**	**14,684,422**
7. OTHER OPERATING PROCEEDS	**3,655,971**	**3,369,990**
7.1 proceeds from securities management	149	177
7.2 proceeds from foreign currency management	0	0
7.3 other proceeds	3,655,822	3,369,813
8. OTHER OPERATING COSTS	**-174,316**	**-190,619**
8.1 securities management costs	-38,406	-46,927
8.2 foreign currency management costs	0	0
8.3 other proceeds	-135,910	-143,692
C. GROSS CONTRIBUTION MARGIN	**11,139,744**	**17,863,792**
9. OTHER PROCEEDS	**1,622,311**	**1,645,270**
from rounding off in euro units	*1*	*1*
10. LABOUR COSTS	**-7,167,571**	**-6,887,291**
10.1 clerical	-3,037,829	-2,901,807
10.2 management and officers	-1,524,553	-1,440,197
10.3 pension contributions	-1,297,896	-1,260,679
10.4 provision to the retirement fund	-569,756	-544,748
10.5 misc. Personnel costs	-764,712	-766,633
(minus personnel expense reimbursements)	27,175	26,773
11. DEPRECIATION AND PROVISIONS	**-504,501**	**-469,394**
12. OTHER COSTS	**-3,537,787**	**-3,706,722**
from rounding off in euro units	*0*	*0*

FIGURES IN EURO

	2011	2010
D. ORDINARY MANAGEMENT MARGIN	1,552,196	8,445,655
13. EXTRAORDINARY OPERATING PROCEDS	500	140
14. EXTRAORDINARY OPERATING COSTS	0	0
E. GROSS OPERATING MARGIN	1,552,696	8,445,795
15. WINDFALL PROCEEDS	38,763	87,134
16. WINDFALL COSTS	-197,094	-51,942
F. PRO-PROVISION PROFITS	1,394,365	8,480,987
17. PROVISION TO THE GENERAL BANKING RISKS FUND	-100,000	-6,600,000
18. USE OF MISCELLANEOUS FUNDS	0	0
G. PRE-TAX PROFITS	1,294,365	1,880,987
19. INCOME TAXES	0	0
H. NET PROFITS	1,294,365	1,880,987

BANCA CENTRALE
DELLA REPUBBLICA DI SAN MARINO

NOTES TO THE FINANCIAL STATEMENTS

BANCA CENTRALE
DELLA REPUBBLICA DI SAN MARINO

Notes to the financial Statements

Structure and Contents of the Financial Statements

Structure and contents of the financial statements

The Balance Sheet and Financial Statements for 2011 have been drawn up in accordance with the laws currently in force. In particular, Law 96 from 29th June 2005 (Statues of the Central Bank of San Marino), Law 165 from 17th November 2005 (the Law Concerning Firms and Banking, Financial and Insurance Services), and Law 47 from 23rd February 2006 (the Law Concerning Corporations).

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

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 Conditions Schedule (Annex 3)

In the interest of transparency and 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.

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 the drawing up of financial statements, the figures in the Notes have also been published in euro units.

Parte A - Valuation criteria

SECTION 1 - ILLUSTRATION OF THE VALUATION CRITERIA

The 2011 Balance Sheets and Financial Statements 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 face value, corresponding to their presumed monetary value; onto this has been added the share of interest accrued and matured on the closing date of the Balance Sheets.

- Customer Loans: these appear at their presumed monetary value, corresponding to their face value, including the share of interest accrued and matured on the closing date of the Balance Sheets.

- Other Credits: these are shown at face value, corresponding to their presumed market value. These also include the share of interest accrued and matured on the closing date of the Balance Sheets.

- Guarantees and Commitments: the guarantees issued and received have been registered at the value corresponding to the relative commitment undertaken or guaranteed. The securities and foreign currencies to be received/delivered have been entered at 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: 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 price during the month of December.

The market value applied was that of the Xtrakter Limited company's quotations; alternatively, where these were not available, the following solution was adopted:

a) the quotations provided by the market makers on the basis of the rate curves and the benchmark securities spread 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.

- Shares: these have been valued at the lower value between either their purchase price or their market price; the official value for the latter was that valid on 31st December 2011.

Holdings

Holdings, having been 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 holdings implies the attribution of a value equal to the corresponding portion of the holding's net equity. The comparison between the share of net equity and the accounting value of the holding gives rise to a positive or a negative difference, which – respectively – is entered as an increase or a decrease in the registered value of the holding. In compensation, a corresponding net equity reserve is entered. On the other hand, the paying out of dividends or the settlement of the losses entails an entry in the Profit and Loss Account.

Assets and liabilities in foreign currency

The assets and liabilities denominated in foreign currencies appear in euro, based on the European Central Bank's exchange rate bulletin valid at the end of the Balance Sheet; these are entered onto the Balance Sheets per their maturation date value.

Tangible fixed assets

These have been entered at their purchase price, inclusive of any accessorial costs.

During 2011 no value devaluations or re-evaluations were carried out.

The cost of the fixed assets has been depreciated based on percentages set down in the fiscal legislation currently in force.

Intangible fixed assets

These have been entered at their purchase price, inclusive of accessorial costs; they have been depreciated at a constant rate, per the criteria adopted in the financial statements from previous years (for a period not longer than five years), in line with the current fiscal legislation.

Other balance sheet items

- Debts: these have been valued at their residual capital value, to which was added the interest accrued on the closing date of the Balance Sheets.
- Repurchase agreements: given that these oblige the transferee to resell on the maturation date, the sums received or paid out are entered as debts and credits. The funding cost and the income deriving from the investment proceeds— consisting in the coupons earned on securities and the difference between their spot and forward price—are entered as interest.
- Accrued revenues and deferred expenses: this item includes the shares 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 accrued during the year by dependent employees, pursuant to the laws and labour contracts currently in force.

Risks and costs funds

On the closing date of the present Financial Statements, no amounts had been entered onto the Balance Sheet for the "Risks and Costs" Funds.

No tax fund amounts were entered into the "Tax Fund" item, given that the Central Bank's Statutes set out that profits are exempt from general income tax. On the other hand, if distributed, profits are added onto the recipients' taxable income.

Fund for general banking risks

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

FIGURES IN EURO

Part B - Information on the Balance Sheets

SECTION 1 - CREDITS

1.1 CASH AND OTHER VALUABLES (BREAKDOWN OF ITEM 1)

	2011	2010
cash and other valuables	16,911,685	17,170,988

The cash account is composed of banknotes and coins totalling 16,909,856 euro, of 60 Swiss francs worth the equivalent of 49 euro, of 50 English pounds sterling worth the equivalent of 60 euro and 2,225 U.S. dollars worth the equivalent of 1,720 euro.

1.2 INTER-BANK LOANS (BREAKDOWN OF ITEM 2)

	2011		2010	
Inter-bank loans		218,029,769		311,215,817
- sight credits	2,134,142		17,784,025	
- other credits	215,895,627		293,431,792	

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	
	2011	2010	2011	2010	2011	2010
sight credits						
- current accounts	*519,211*	17,304,055	1,614,931	479,970	**2,134,142**	**17,784,025**
- other technical forms	0	0	0	0	**0**	**0**
other credits						
- term deposits	22,552,890	22,007,905	0	299,356	**22,552,890**	**22,307,261**
- subsidies	193,342,737	271,124,531	0	0	**193,342,737**	**271,124,531**
of which						
- matured subsidies	3,292,737	3,074,531	0	0	**3,292,737**	**3,074,531**
Total	**216,414,838**	**310,436,491**	**1,614,931**	**779,326**	**218,029,769**	**311,215,817**
of which						
- with non-residents	23,072,101	39,311,960	1,614,931	779,326	**24,687,032**	**40,091,286**
- with residents	193,342,737	271,124,531	0	0	**193,342,737**	**271,124,531**

The subsidies granted by the Bank are connected with the temporary support of the liquidity present in San Marino's financial system.
Compared to 2010 the amount of subsidies alone fell by 77,781,794 euro.
As set down by Central Bank Statutes the credits granted to supervised parties working in the territory of the Republic are assured by adequate guarantees.

The "Matured Subsidies" item amounting to 3,292,737 euro is the residual debt, as of 31st December 2011, that a supervised subject must reimburse on a loan that matured on 15th October 2010 (3,074,531); the reimbursement of that debt is being negotiated.

FIGURES IN EURO

1.3 CUSTOMER LOANS (BREAKDOWN OF ITEM 3)

	2011	2010
customer loans	12,122,116	14,486,441

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

	EURO		OTHER CURRIENCES		TOTAL	
	2011	2010	2011	2010	2011	2010
- current accounts	160,564	108,146	0	0	**160,564**	**108,146**
- mortgage loans	903,381	495,894	0	0	**903,381**	**495,894**
- other loans	11,058,171	13,882,401	0	0	**11,058,171**	**13,882,401**
- other credits	0	0	0	0	**0**	**0**
Total	**12,122,116**	**14,486,441**	**0**	**0**	**12,122,116**	**14,486,441**
of which:						
- granted to non-resident customers	26,996	0	0	0	**26,996**	**0**
- granted to resident customers	12,095,120	14,486,441	0	0	**12,095,120**	**14,486,441**

"Customer loans" refers to credits granted, in the above-mentioned technical form, to the Public Administration and – to a much lesser degree - to the dependent employees of the Central Bank.
"Mortgage loans" include those granted to dependent employees of the Central Bank, while the "other mortgages" item contains the remaining portion of the debt from mortgages granted to the Public Administration.

SECTION 2 - SECURITIES

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

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

	2011		2010	
bonds and other debt securities:		**196,855,644**		**253,607,798**
- issued by public bodies	11,617,669		16,167,366	
- issued by banks	147,908,727		185,000,573	
- issued by financial institutions	20,812,942		29,981,943	
- issued by other bodies	16,516,306		22,457,916	

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

FIGURES IN EURO

	BALANCE SHEET VALUE		MARKET VALUE	
	2011	2010	2011	2010
1. debt securities	196,855,644	253,607,798	196,965,990	255,152,661
1.1 Government securities	0	0	0	0
1.2 other securities	196,855,644	253,607,798	196,965,990	255,152,661
Total	**196,855,644**	**253,607,798**	**196,965,990**	**255,152,661**

The comparison between the market value and the Balance Sheet valuation, concerning the debt securities alone, highlights a potential capital gain of 110,346 euro which – in observance of the accounting principle of prudence – has not been entered. That valuation was carried out following the previously described criteria.

The annual variations to the portfolio are illustrated in the following table:

	2011		2010	
A. Initial balance		**253,607,798**		**230,702,013**
B. Increases		**459,124,183**		**620,494,587**
B.1 purchases		455,928,258		613,594,067
- debt securities	455,928,258		613,594,067	
Government securities	*0*		*0*	
other securities	*455,928,258*		*613,594,067*	
- capital securities	0		0	
B.2 value recoveries and revaluations		0		0
B.3 trasfers from investment portfolio		0		0
B.4 other variations		3,195,925		6,900,520
C. Decreases		**515,876,337**		**597,588,802**
C.1 sales and refunds		510,204,208		595,517,633
- debt securities	510,204,208		595,517,633	
Government securities	*0*		*0*	
other securities	*510,204,208*		*595,517,633*	
- capital securities	0		0	
C.2 value adjustments		5,242,280		1,706,728
C.3 trasfers from investment portfolio		0		0
C.4 other variations		429,849		364,441
D. Final balance		**196,855,644**		**253,607,798**

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

IItem B.1: purchases

included:

- Issue margins due, as of the negotiation rate, on non-listed fixed income securities for a total of 276,825 euro.

Item B.4: other variations

included:

- proceeds from securities negotiation for a total of 3,080,346 euro;

FIGURES IN EURO

- issue margins pertaining to 2011 amounting to 115,580 on non-listed fixed income securities.

Item C.1: sales and refunds

included:

- issue margins for a total of 344,721 matured on the date of negotiation/reimbursement on non-listed fixed income securities.

Item C.2: value adjustments

included::

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

Item C.4: other variations

included::

- losses from securities negotiation amounting to 429,849 euro.

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

	BALANCE SHEET VALUE		MARKET VALUE	
	2011	2010	2011	2010
shares, quotas and other capital	1,463	1,463	3,120	3,120
Total	**1,463**	**1,463**	**3,120**	**3,120**

This item is entirely composed of the value of Swift operations.
The comparison between the valuation at the market price and the balance sheet one highlights a potential capital gain of 1,657 euro.

SECTION 3 - HOLDINGS

3.1 HOLDINGS (BREAKDOWN OF ITEM 6)

	2011	2010
holdings	427,116	446,050

On 31st December 2011 the Central Bank held capital in the company S.p.A. I.S.I.S. to the extent illustrated in the table below:

NAME AND HEADQUARTERS	"PROFIT/LOSS ON 31/12/2011"	"NET EQUITY ON 31/12/2011"	QUOTA %	BALANCE SHEET VALUE
Holdings				
- S.p.A. ISIS (San Marino)	161,288	873,269	48.91%	427,116

The amounts concerning the net equity and the balance sheet figures for the firm for which holdings exist have been shown as per that company's Balance Sheet proposal for 2011.
It should be pointed out that the Profit/Loss item on the date 31st December 2011 was 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 have been summarized in the following table:

	2011	2010
A. Initial balance	**446,050**	**325,425**
B. Increases	**78,884**	**120,625**
B.1 purchases	0	
B.2 value recoveries		
B.3 revaluations	78,884	120,625
B.4 other variations		
C. Decreases	**97,818**	**0**
C.1 sales	0	0
C.2 value adjustments	0	0
C.3 other variations	97,818	0
D. Final Balance	**427,116**	**446,050**

Concerning the contents of the table it is important to note the following:

Item B.3: Revaluations

This includes the 78,884 euro increase in the equity of S.p.A. I.S.I.S., as calculated on its 2011 Balance Sheet data.

Item C.3:Other Variations

This corresponds to the drop in net equity due to the paying out of 2010 dividends by the Holding to its investors.

SECTION 4 – INTANGIBLE AND TANGIBLE FIXED ASSETS AND LEASING

4.1 INTANGIBLE FIXED ASSETS (BREAKDOWN OF ITEM 8)

	2011	2010
intangible fixed assets	121,012	94,018

The following are the single components of the "Intangible Fixed Assets":

TYPE OF GOOD	2011			2010		
	ORIGINAL COST	DEPRECIATION	BALANCE SHEET VALUE	ORIGINAL COST	DEPRECIATION	BALANCE SHEET VALUE
intallation and extension costs	6,085	6,085	0	6,085	6,085	0
multi-year costs on 3rd party goods	200,525	199,985	539	200,525	199,446	1,079
software	3,914,510	3,794,037	120,473	3,775,175	3,682,235	92,939
concession patents/licenses/brands	1,250	1,250	0	1,250	1,250	0
Total			**121,012**			**94,018**

FIGURES IN EURO

Balance Sheet movements can be broken down as follows:

	2011		2010	
A. Initial balance		**94,018**		**89,222**
B. Increases		**139,335**		**84,366**
B.1 purchases		139,335		84,366
B.2 value recoveries		0		0
B.3 revaluations		0		0
B.4 other variations		0		0
C. Decreases		**112,341**		**79,570**
C.1 sales		0		0
C.2 value adjustments		112,341		79,570
- depreciation	*112,341*		*79,570*	
- lasting devaluations	*0*		*0*	
C.3 other variations		0		0
D. Final balance		**121,012**		**94,018**

Item B.1: Purchases

This includes the cost of software programmes totalling 139,335 euro.

Item C.2: Value Adjustments

This includes the relevant depreciation quotas of 112,341 euro, calculated according to the direct method.

4.2 TANGIBLE FIXED ASSETS (BREAKDOWN OF ITEM 9)

	2011		2010	
tangible fixed assets		**5,229,625**		**5,572,613**
- owned assets	5,229,625		5,572,613	

The following table represents the single components of the values entered onto the Balance Sheet under "Tangible Fixed Assets":

TYPE OF GOOD	2011			2010		
	ORIGINAL COST	DEPRECIA-TION FUND	BALANCE SHEET VALUE	ORIGINAL COST	DEPRECIA-TION FUND	BALANCE SHEET VALUE
owned assets:						
- electronic office equipment	755,875	732,374	**23,501**	749,571	705,385	**44,186**
- electric office machinery	12,671	11,558	**1,113**	12,401	11,177	**1,224**
- furniture and fittings	734,083	601,307	**132,776**	733,662	557,472	**176,191**
- miscellaneous equipment	73,655	61,405	**12,250**	64,623	55,251	**9,372**
- systems and fittings	899,603	753,028	**146,575**	891,057	710,897	**180,160**
- motor vehicles	126,500	76,028	**50,472**	106,200	59,052	**47,148**
- essential buildings	5,433,190	1,303,966	**4,129,224**	5,433,190	1,086,638	**4,346,552**
- multiyear costs on buildings	871,664	144,250	**727,414**	870,864	109,384	**761,480**

FIGURES IN EURO

- other owned goods	6,300	0	**6,300**	6,300	0	**6,300**
Total			**5,229,625**			**5,572,613**

The Balance Sheet movements can be summarised as follows:

	2011		2010	
A. Initial balance		**5,572,613**		**5,861,472**
B. Increases		**49,172**		**151,146**
B.1 purchases		49,172		143,146
B.2 value recoveries		0		0
B.3 rivaluations		0		0
B.4 other variation		0		8,000
C. Decreases		**392,160**		**440,005**
C.1 sales		**0**		**181**
C.2 value adjustments		392,160		389,824
- depreciations	*392,160*		*389,824*	
- lasting devaluations	*0*		*0*	
C.3 other variations		0		50,000
D. Final balance		**5,229,625**		**5,572,613**

Concerning the contents of the table, the following are of note:

Item B.1: Purchases

Includes the costs for the purchase of:
- furniture and furnishings totalling 420 euro;
- refurbishing and modernisation of buildings 800 euro;
- electronic office equipment 6,304 euro;
- mechanical systems and fittings 8,546 euro;
- electric machinery 270 euro;
- motor vehicles 23,800 euro;
- miscellaneous equipment 9,032 euro.

Item C.2: Depreciation

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

SECTION 5 – OTHER ASSETS

5.1 OTHER ASSETS (BREAKDOWN OF ITEM 10)

	2011		2010	
other assets		1,875,208		5,540,178
from rounding off in euro units		*1*		*0*

FIGURES IN EURO

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

	2011		2010	
credit with the State:		**410,336**		**415,089**
- advances on General Income Tax	0		0	
- higher taxes paid out for previous fiscal years	410,336		415,089	
fees to be debited to:		**34,049**		**45,160**
- banks	34,049		45,160	
- customers	0		0	
curr.nt acct. cheques drawn on other banks		**0**		**0**
other credit and miscellaneous items		**1,430,821**		**5,079,929**
from rounding off in euro units:		*1*		*0*
Total		**1,875,208**		**5,540,178**

"Other credit and miscellaneous items" entry includes the credits for charges levied for 2011 supervision fees, totalling 1,250,000 euro, which supervised entities are obliged to pay back to the Central Bank by 31st May 2012.

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

	2011		2010	
accrued revenues and deferred expenses		1,076,314		2,140,531
- accrued revenues	1,050,684		2,094,009	
- deferred expenses	25,630		46,522	

The contents of the item are the following:

	2011		2010	
accrued revenues deriving from:		**1,050,684**		**2,094,009**
- interest on bank deposits	125		0	
- interest on securities	1,050,487		1,299,608	
- interest on loans	0		790,099	
- interest on bank current accts.	72		4,302	
deferred expenses deriving from:		**25,630**		**46,522**
- insurance premiums	1,253		421	
- other sources	24,377		46,101	
Total		**1,076,314**		**2,140,531**

The "other deferred expenses" are principally composed of deferred expenses for rental costs..

FIGURES IN EURO

SECTION 6 – DEBTS

6.1 DEBTS WITH BANKS (BREAKDOWN OF ITEM 1)

	2011		2010	
debts with banks		**112,519,375**		**149,514,418**
- sight debts	35,519,375		62,514,418	
- term or notice debts	77,000,000		87,000,000	

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

	EURO		OTHER CURRENCIES		TOTAL	
	2011	2010	2011	2010	2011	2010
sight debts						
- current accounts	35,362,698	61,723,760	156,677	790,658	**35,519,375**	**62,514,418**
term or notice debts						
- time deposits	77,000,000	87,000,000			**77,000,000**	**87,000,000**
Total	**112,362,698**	**148,723,760**	**156,677**	**790,658**	**112,519,375**	**149,514,418**
of which						
- with residents	112,362,698	148,723,760	156,677	790,658	**112,519,375**	**149,514,418**
- with non residents	0	0	0	0	**0**	**0**

The accrued and matured "interest paid to banks" for a total of 47,913 euro have been included under the "sight debts" item.

6.2 DEBTS WITH CUSTOMERS (BREAKDOWN OF ITEM 2)

	2011		2010	
debts with customers		**253,371,978**		**366,917,947**
- sight debts	198,371,978		321,917,947	
- term or notice debts	55,000,000		45,000,000	

FIGURES IN EURO

The technical form and currency of “debts with customers” can be further broken down in the following manner:

	EURO		OTHER CURRENCIES		TOTAL	
	2011	2010	2011	2010	2011	2010
sight debts						
- current accounts	198,363,575	321,897,829	8,403	20,118	**198,371,978**	**321,917,947**
- time deposits	55,000,000	45,000,000	0	0	**55,000,000**	**45,000,000**
Total	**253,363,575**	**366,897,829**	**8,403**	**20,118**	**253,371,978**	**366,917,947**
of which						
- with residents	253,230,185	366,717,899	8,403	20,118	**253,238,588**	**366,738,017**
- with non residents	133,390	179,930	0	0	**133,390**	**179,930**

6.3 DEBTS REPRESENTED BY SECURITIES (BREAKDOWN OF ITEM 3)

	2011		2010	
debts represented by securities		**2,713,684**		**8,818,799**
- bonds	0		0	
- certificates of deposit	1,500,000		7,000,000	
- other securities (repos)	219,000		499,000	
- cheques in circulation	994,684		1,319,799	

The “other securities” item represents the debt existing on 31st December 2011 for financing repurchase agreement operations carried out for employees.
“Cheques in circulation” includes drawing and receipt cheques issued by the Central Bank in the line of its Treasury Department duties.

SECTION 7 – OTHER LIABILITIES

7.1 OTHER LIABILITIES (BREAKDOWN OF ITEM 4)

	2011		2010	
other liabilities		7,203,049		8,741,559
from rounding off in euro units		*0*		*0*

The following is a detailed description of this entry:

	2011		2010	
debts for suppliers, services		**377,081**		**343,498**
debts with the State:		**213,619**		**196,718**
- direct taxes to be paid as withholding agent	212,002		196,307	
- indirect taxes	1,617		411	
debts fees paid: ‘Governing Council Members and Board of Statutory Auditors’		**92,700**		**104,139**

FIGURES IN EURO

	2011		2010	
debts with ISS and FSS		**242,624**		**231,917**
invoices to be received		**168,777**		**117,669**
debts with dependent personnel		**777,348**		**1,372,233**
sums at the disposal of 3rd parties:		**4,369,243**		**6,263,987**
- customers	4,362,281		6,255,320	
- banks	6,962		8,667	
other debts and miscellaneous items		**961,657**		**111,398**
from rounding off in euro units		*0*		*0*
Total		7,203,049		8,741,559

"Debts with dependent personnel" includes all the compensation relative to 2011 to be paid out to personnel during the current financial year, including the financing for the payment of bonuses to dependent staff per the labour contract in force.
"Sums at the disposal of third parties" refers almost exclusively to Treasury receipts which – due to the time required for them to be processed – had yet to be credited to their relative current accounts.
"Other debts and miscellaneous items" is composed of 2011 consultancy fees which will be paid in 2012, of the value of employees' left-over holiday time to be paid, as well as the relative staff pension and retirement allowances.

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

	2011		2010	
accrued expenses and deferred revenues		**758,774**		**477,652**
- accrued expenses	758,774		477,652	
- deferred revenues	0		0	

This item may be broken down as follows:

	2011		2010	
accrued expenses on:		**758,774**		**477,652**
- interest from bank deposits	644,336		398,393	
- interest from customer deposits	100,592		57,452	
- interest on repurchase agreements	1,592		1,655	
- interest on current accounts	0		16,516	
- interest on customer current accounts	0		8	
- interest on bank certificates of deposit	12,254		3,629	
deferred revenues on:		**0**		**0**
- miscellaneous expense recoveries	0		0	
Total		758,774		477,652

FIGURES IN EURO

SECTION 8 – FUNDS

8.1 STAFF RETIREMENT ALLOWANCES (BREAKDOWN OF ITEM 6)

	2011	2010
staff retirement allowances	560,124	529,392

This entry reflects the benefit substituting for the retirement allowances accrued by dependent employees during 2011. The following are the variations seen during the Financial Statements period:

	2011	2010
Balance on 1st January	**529,392**	**436,137**
Decreases		
- used to pay retirement allowances to staff	529,392	436,137
Increases		
- provisions made for financial year	560,124	529,392
Balance on 31st December	**560,124**	**529,392**

Pursuant to current employee contracts, the retirement allowances accrued during the 2011 balance sheet period were paid out in full to dependent employees by 31st March 2012.

8.2 RISKS AND COSTS FUNDS (BREAKDOWN OF ITEM 7)

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

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

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

SECTION 9 – CAPITAL, RESERVES, THE FUND FOR GENERAL BANKING RISKS

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

	2011	2010
fund for general banking risks	47,236,730	47,136,730

The changes made during the current balance sheet period are outlined below:

	2011		2010	
Balance on 1st January		**47,136,730**		**40,536,730**
Decreases:		0		0
- use of fund	0		0	
Increases:		**100,000**		**6,600,000**
- provision made for the financial year	100,000		6,600,000	
Balance on 31st December		47,236,730		47,136,730

During 2011 a 100,000 euro provision was made to the Fund for General Banking risks.

FIGURES IN EURO

9.2 ENDOWMENT FUND (BREAKDOWN OF ITEM 10)

	2011		2010	
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 share quotas of 5,164.57 euro each. The possessary title of the share 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.".

9.3 ISSUE PREMIUM (BREAKDOWN OF ITEM 11)

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

9.4 ESERVES (BREAKDOWN OF ITEM 12)

	2011		2010	
reserves		**14,080,448**		**13,346,987**
- ordinary reserves	5,071,035		4,318,640	
- extraordinary reserves	8,652,646		8,652,646	
- other reserves	356,767		375,701	

As set down in Article 23 of the Statutes, the Shareholders meeting is obliged to vote on the distribution of profits; at least 40% of the amount should go to the Ordinary and at least 25% to the equity-holding institutions listed above.

9.5 NET PROFIT (BREAKDOWN OF ITEM 13)

	2011		2010	
net profit		1,294,365		1,880,987

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

SECTION 10 – GUARANTEES AND COMMITMENTS

10.1 GUARANTEES ISSUED AND RECEIVED

	2011		2010	
guarantees issued		9,047,984		8,760,067
guarantees received		452,756,423		544,457,619

The "guarantees issued" entry contains a bank suretyship issued on behalf of the Public Administration to various Bodies. Guarantees received include those guarantees relating to financing issued; which may be found under the "Inter-Bank Loans" item. Also included are the restrictions placed on the availability of Public Administration accounts, together with guarantees relating to encashment extensions for Tax Collection services.

FIGURES IN EURO

10.2 COMMITMENTS

	2011	2010
sales with repurchase obligation	221,203	502,523
purchases with transfer obligation	0	0
foreign currencies and securities to be received	0	0
foreign currencies and securities to be delivered	0	0
other commitments	0	0
Total	**221,203**	**502,523**

The entry "sales with repurchase obligation" refers to the repurchase operations existing on 31 December 2011, entered at their final swap value, net of withholding taxes and expenses.

SECTION 11 – MANAGEMENT AND INTERMEDIATION FOR THIRD PARTIES

11.1 SECURITIES NEGOTIATION

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

11.2 ASSET MANAGEMENT

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

11.3 SECURITIES CUSTODY AND MANAGEMENT

	2011	2010
securities custody and management	267,702,124	370,603,872
Total	**267,702,124**	**370,603,872**

The following is the breakdown of the "securities custody and management" item:

deposited third party securities		**62,407,272**
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	18,689,136	
- notes payable	941	
- bonds, shares and similar securities	9,810,135	
third party securities deposited with third parties	33,907,060	
owned securities deposited with third parties		**204,840,001**
- bonds and similar securities	204,838,538	
- owned mutual fund quotas deposited with third parties	0	
- shares	1,463	
owned securities deposited in vault		**454,851**

FIGURES IN EURO

- valuables and shares	*454,851*	
Total		**267,702,124**

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

11.4 CREDIT ENCASHMENT FOR THIRD PARTIES: VALUE ADJUSTMENT OF DEBTS AND CREDITS

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

11.5 OTHER OPERATIONS

	2011		2010	
other operations		155,707,208		122,880,102
Total		**155,707,208**		**122,880,102**

“Other operations” are composed as follows:

- "ruoli igr" (tax rolls): being collected	9,723,930
- "Mano Regia": being collected	4,303,481
- Overdue Taxes: being collected	141,469,400
- third party goods deposited with third parties	210,196
- cash fund deposited with Chancery Court of S.Marino	200
Total	**155,707,208**

“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 Central Bank’s 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;
• A cash fund opened at the Chancery Court of San Marino, which is used for expenses.

FIGURES IN EURO

Part C – Information on the Profit and Loss Account

SECTION 1 – INTEREST

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

	2011	2010
interest received and other proceeds	14,898,397	12,429,797

"Interest received and other proceeds" accrued on:

	2011		2010	
a) inter-bank loans		8,976,926		5,902,819
of which: credit in foreign currencies	305		2,014	
b) customer loans		230,619		228,666
of which: credit in foreign currencies	0		0	
c) Government securities and bonds		5,690,852		6,298,312
of which: securities, bonds in foreign currencies	0		0	
Total		**14,898,397**		**12,429,797**

The increase in "Interest received and other proceeds" on inter-bank loans was due to the increase in average deposits and rates; the fall in the "Interest received and other proceeds" on government securities and bonds was mainly due to fewer average deposits.

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

	2011	2010
interest paid and other costs accrued	4,751,986	2,473,934

"Interest paid and other costs" accrued on:

	2011		2010	
a) debts with banks		2,437,359		1,076,630
of which: debts in foreign currencies	99		4,416	
b) debts with customers		2,187,789		978,414
of which: debts in foreign currencies	45		56	
c) debts represented by securities (repurchase agr.mts)		126,838		418,890
of which: repos on securities in foreign currencies		0		0
Total		**4,751,986**		**2,473,934**

The increase in the "Interest paid on debts with banks" is due to banks' higher average number of time deposits and the rise in rates.

FIGURES IN EURO

SECTION 2 – COMMISSIONS

2.1 COMMISSIONS RECEIVED (BREAKDOWN OF ITEM 4)

	2011		2010	
commissions received		3,609,139		3,335,048

The "Commissions received" entry refers to:

	2011		2010	
a) management, brokerage and consultancy services:		138		177
1) securities negotiation	138		177	
2) custody and managment of securities	0		0	
b) collection and payment services		3,525,083		3,326,616
c) other services		83,918		8,255
Total		**3,609,139**		**3,335,048**

"Collection and payment services" included the profits from the provision of services to the Public Administration as a whole, which for 2011 – on the basis of a three-year agreement covering 2010-2012 – amounted to 3,500,000 euro.
"Other services" covered the fines (75,000 euro) for the early liquidation of an investment by a San Marino bank.

2.2 COMMISSIONS PAID (BREAKDOWN OF ITEM 5)

	2011		2010	
commissions paid		59,905		66,889

"Commissions paid" derived from:

	2011		2010	
a) credit derivitives	0		0	
b) management and brokerage services:		38,405		46,927
1) securities negotiation	0		12,023	
2) custody and management of securities	38,405		34,904	
b) collection and payment services		2,459		3,307
c) other services		19,041		16,655
Total		**59.905**		**66.889**

SECTION 3 – PROFITSAND LOSSES FROM FINANCIAL OPERATIONS

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

	2011		2010	
profits/losses from financial operations		-2,586,139		4,728,559

The changes in this entry can be summarised as follows:

FIGURES IN EURO

	Securities transactions 2011	Foreign currencies transactions 2011	Total 2011
A.1 revaluations	0	0	0
A.2 devaluations	-5,242,280	0	-5,242,280
B. Other profits/losses	2,650,497	5,643	2,656,140
Total	**-2,591,782**	**5,643**	**-2,586,139**
1. Government bonds	0	0	**0**
2. other debt securities	-2,591,782	0	**-2,591,782**
3. capital securities	0	0	**0**
4. foreign currency	0	5,643	**5,643**

Item A.2: Devaluations

This entry represents the value of the capital loss to the Securities portfolio on 31st December 2011.

Item B.: Other profits/losses

This item concerns the profits and losses resulting from the negotiation of Securities, including those occurring at the moment of reimbursement at maturity.
Concerning foreign currency transactions, the item shows the profit from foreign currency transactions.

This outcome was influenced by the lower performance of the securities present in the portfolio, due to the worsening of the financial crisis, which affected the European markets; this resulted in a devaluation of 5,242,280 euro, which represents the average portfolio value, i.e. about 2%.

Taking into consideration the other income components (profits and losses, interest earned) the overall result of the securities portfolio was above 2%. Therefore, given the criteria that the Bank observes in its financial investments concerning the credit worthiness and liquidity of investments, and the further complexity of management thereof deriving from the carrying out of other statutory functions, the outcome must be considered satisfactory.

SECTION 4 – ADMINISTSRATIVE COSTS

4.1 ADMINISTRATIVE COSTS (BREAKDOWN OF ITEM 9)

	2011		2010	
administrative costs		10,732,533		10,620,719

"Administrative costs" were the following:

	2011		2010	
a) labour costs		**7,194,746**		**6,914,064**
- wages and salaries	4,562,382		4,342,004	
- pension contributions	1,297,896		1,260,679	
- retirement allowances	569,756		544,748	
- other personnel costs	748,712		752,032	
- professional training and update courses	16,000		14,601	

FIGURES IN EURO

b) other administrative costs		**3,537,787**		**3,706,655**
- graphic art work and advertising	33,708		26,576	
- insurance	217,960		141,090	
- miscellaneous utilities and cleaning of premises	181,141		181,893	
- forms, stationary, newspapers and publications	67,984		76,588	
- postal, telephone and telex services	218,306		203,775	
- expenables and spares	9,276		17,982	
- retribution for Governing Council and Board of Statutory Auditors	392,700		116,639	
- professional consultancy fees	635,951		1,214,231	
- reimbursement personnel/consultant travel expenses	47,516		20,786	
- miscellaneous and varied expenses	337,235		319,225	
- rentals, technical assistance, repairs and various services	1,273,611		1,254,290	
- association membership and similar fees	8,535		6,640	
- rents paid	109,655		125,165	
- importation taxes	4,208		1,775	
Total		**10,732,533**		**10,620,719**

"Insurance" includes the premiums for the policies covering the personal liability of individual administrators and officers (D&O policy) as well as dependent employees (policy for professional liability under civil law), respectively for 26,000 and 84,900 euro.
"Other labour costs" reflects staff production bonuses, overtime arrears requiring payment, payments for employee holidays due but not taken as of 31st December 2011, and pension and retirement allowances.
Further information and data concerning Central Bank staff is available in the Human Resources table (see: Annex 1).

SECTION 5 – ADJUSTMENTS, RECOVERIES AND PROVISIONS

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

	2011		2010	
value adjustments on intangible and tangible fixed assets		504,501		469,394

The composition of the "Value adjustments on intangible and tangible fixed assets" item due to depreciation is as follows:

	2011		2010	
tangible fixed assets		**392,160**		**389,824**
- buildings	252,194		252,162	
- furniture, machines and utility systems, misc. equipment, vehicles	139,966		137,662	
intangible fixed assets		**112,341**		**79,570**
- concession of patents, brands and rights	0		0	
- software	111,802		79,031	
- installation and extension costs	0		0	
- multi-year costs on third party goods	539		539	
Total		**504,501**		**469,394**

FIGURES IN EURO

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)

	2011	2010
dividends and other proceeds	97,818	0

During the 2011 financial statements period the holding S.p.A. I.S.I.S. paid the Bank dividends amounting to 97,818 euro.

6.2 OTHER OPERATING PROCEEDS (BREAKDOWN OF ITEM 7)

	2011	2010
other operating proceeds	1,696,317	1,706,983

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

	2011	2010
- rents received	24,092	23,901
- recovery of personnel expenses	27,175	26,773
- miscellaneous reimbursements	352,970	576,470
- recovery of sums levied from supervised parties	1,250,000	1,005,000
- credit notes, allowances and positive rounding-off of figures	53	43,474
- proceeds from Overdue Tax Collection Services	42,027	31,365
Total	**1,696,317**	**1,706,983**

"Miscellaneous reimbursements" include the recoveries for cash supply costs, besides the normal expense recoveries for bank commissions.
"Recovery of sums levied from supervised parties" refers to the total costs for the 2011 financial statements period. The Bank decided to assume the responsibility for part of these costs, to avoid overburdening the financial system; the amount to be recovered was 1,250,000 euro, which was communicated to supervised parties within the required legal time, as set down by Decree no. 6 dated November 2006 no. 117.
"Proceeds from Overdue Tax Collection" concern the revenue coming from executive actions and the interest paid on delayed payments.

6.3 OTHER OPERATING COSTS (BREAKDOWN OF ITEM 8)

	2011	2010
other operating costs	114,411	123,797

"Other operating costs" refers to miscellaneous bank costs and liability round offs.

6.4 EXTRAORDINARY PROCEEDS (BREAKDOWN OF ITEM 18)

	2011	2010
extraordinary proceeds	39,263	87,274
of which: from rounding off in euro units	*0*	*0*

The "Extraordinary proceeds" item concerns the miscellaneous windfall assets and capital gains stemming from instrumental goods.

6.5 EXTRAORDINARY COSTS (BREAKDOWN OF ITEM 19)

	2011	2010
extraordinary costs	197,094	51,942
of which: from rounding off in euro units	*0*	*0*

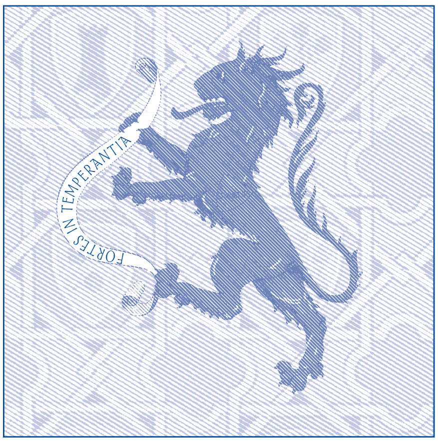
The "Extraordinary costs" entry is related to miscellaneous contingent liabilities. In particular this item encompasses the pension contributions, retirement allowances and the payment of employee holiday time due but not taken before 2011.

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



FIGURES IN EURO

Appendix to the Notes

Annex 1

HUMAN RESOURCES SCHEDULE

Dependent employees: SHOWN ACCORDING TO ORGANISATIONAL HIERARCHY

	2011 (C)	2010 (B)	2009 (A)	2008	2007
SENIOR OFFICERS	1.09%	1.08%	0.00%	0.00%	0.00%
OFFICERS	16.30%	16.13%	19.05%	20.00%	15.38%
FRONT OFFICE MGRS./CLERKS	77.18%	77.41%	77.38%	77.14%	81.54%
SUPPORT STAFF	5.43%	5.38%	3.57%	2.86%	3.08%
	100.00%	100.00%	100.00%	100.00%	100.00%

Dipendent employees: VARIATIONS

	2011 (C)	2010 (B)	2009 (A)	2008	2007
TOTAL PERSONNEL					
at the start of the year:	93	84	70	65	62
of whom: in Supervision Department	28	25	22	21	17
of which: AIF	12	10	7		
- HIRED	6	11	17	5	4
of whom: Supervision Department	2	4	5	5	3
of which: AIF	1	1	3		
- TERMINATIONS	7	2	3	0	1
of whom: Supervision Department	2	2	2	0	1
of which: AIF	0	0	0		
TOTAL PERSONNEL					
at the end of the year:	92	93	84	70	65
of whom: Supervision Department	27	28	25	24	21
of which: AIF	13	12	10	7	
of whom: having fixed-term contracts	4	4	4	0	3
ANNUAL VARIATION	-1%	11%	20%	8%	5%
of whom: Supervision Department	-4%	12%	14%	14%	24%
of which AIF	8%	20%	43%		
REAL AVERAGE RESOURCES (D)	**84,25**	**82,81**	**70,35**	**61,08**	**56,30**

(A) Does not include Director General or External Inspector: were not dependent employees.
(B) Includes Director General as a dependent employee.
(C) Does not include External Inspector, as this person was not a dependent employee.
(D) Calculated from the beginning of year. Includes Director General and External Inspector.
Takes into account hiring and resignation dates, long-term absences (leaves, transfers, maternity leave) and part-time employment.
Averages: end-of-month figures.

FIGURES IN EURO

Annex 2

NET EQUITY CHANGES SCHEDULE

Annual variations in net equity

	Endowment fund	Ordinary reserve fund	Extraordinary Reserve fund	Other reserves	Fund for general banking risks	Profits to be allocated	Total equity funds
Balance on 31/12/2010	**12,911,425**	**4,318,640**	**8,652,646**	**375,701**	**47,136,730**	**1,880,987**	**75,276,129**
2010 profit provisions:							
- to ordinary reserves		752,395				-752,395	
- to extraordinary reserves							
- to other reserves:							
- unavailable reserves				-18,934			-18,934
- to shareholders						-1,128,592	-1,128,592
2011 Balance Sheet provisions					100,000		100,000
2011 profits to be allocated						1,294,365	1,294,365
Balance on 31/12/2011	**12,911,425**	**5,071,035**	**8,652,646**	**356,767**	**47,236,730**	**1,294,365**	**75,522,968**

FIGURES IN EURO

Annex 3

2011 STATEMENT OF FINANCIAL CONDITIONS

Funds generated and collected	2011		2010	
Funds deriving from operations				
Profits for the financial year	1,294,365		1,880,987	
Provisions to fund for general banking risks	100,000		6,600,000	
Value adjustments on fixed assets	504,501		469,394	
		1,898,866		8,950,381
Increases in the funds collected:				
Other liabilities	0		1,262,919	
Debts with banks	0		0	
Debts with customers	0		0	
Debts represented by securities (Repos and certificates of deposit)	0		5,724,674	
Provisions to staff retirement fund	560,124		529,392	
Other variations	0		0	
Accrued expenses and deferred revenues	281,121		425,719	
		841,245		7,942,704
Decreases in the funds used				
Other assets	3,664,970		0	
Shares, quotas and other capital securities	0		2,972,211	
Cash and available funds	259,303		0	
Intagible fixed assets	0		0	
Tangible fixed assets	0		50,182	
Accrued revenues and deferred expenses	1,064,217		1,799,825	
Inter-bank loans	93,186,048		73,998,393	
Bonds and other debt securities	56,752,153		0	
Customer loans	2,364,325		2,860,944	
Holdings	97,818		0	
		157,388,834		81,681,555
Total funds generated and collected	**160,128,945**		**98,574,640**	

FIGURES IN EURO

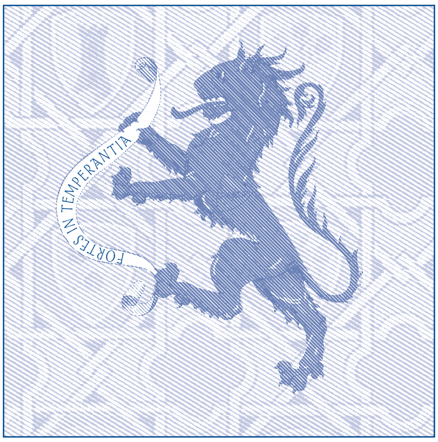
Annex 3

2011 STATEMENT OF FINANCIAL CONDITIONS

Funds used and spent	2011		2010	
Value recoveries and use of funds deriving from operations:				
Value recoveries	0		0	
Utilisation of other funds	0		0	
Dividends paid out	1,128,592		242,546	
Other reserves (unavailable reserves)	18,934		-120,625	
		1,147,526		121,921
Increases in funds spent:				
Other assets (of which 1 due to rounding off)	0		331,405	
Other variations	0		8,000	
Cash and available funds	0		9,969,415	
Inter-bank loans	0		0	
Customer loans	0		0	
Intangible fixed assets	139,334		84,366	
Tangible fixed assets	49,172		143,146	
Shares, quotas and other capital securities	0		0	
Bonds and other debt securities	0		25,877,996	
Holdings	78,884		120,625	
Accrued revenues and deferred expenses	0		0	
		267,390		36,534,953
Decreases in funds collected:				
Other liabilities	1,538,510		0	
Debts with banks	36,995,043		43,173,714	
Debts with customers	113,545,969		18,307,915	
Use of staff retirement fund	529,392		436,137	
Debts represented by securities	6,105,115		0	
Accrued expenses and deferred revenues	0		0	
		158,714,029		61,917,766
Total funds used and spent	**160,128,945**		**98,574,640**	

124

Board of Auditors Report on the Balance Sheets closed on 31 December 2011



Dear Shareholders,
the Financial Statements closed on 31st December 2011, which the Board of Directors has submitted for your approval, were drawn up in accordance with the laws currently in force (Law 96 dated 29/06/2005 and subsequent amendments thereto - Central Bank Statutes; Law 165 dated 17/11/2005 – the Law Concerning Firms and Banking, Financial and Insurance Services; Law 47 dated 23/02/2006 – the Law Concerning Corporations); they are composed of the Balance Sheets, the Profit and Loss Account, and the Notes thereto, in addition to the Governing Council's Report on Management.

The Balance Sheets, the Notes and the rough draft of the Governing Council's Report have been put at the disposal of the Board of Statutory Auditors on 19th April 2012, and subsequent to the meeting of the Governing Council on 18th April, during which the Balance Sheet proposal was approved.
The Notes to the Financial Statements contain a detailed description of the process which determined the net profits amounting to Euro 1,294,365, besides illustrating the accounting principles observed therein.

The outcome of the Financial Statements period is contained in the following categories of asset and income values expressed in Euro units, which were obtained by rounding off the actual accounting amounts – whether up or down – to the closest Euro unit. Alternatively the sum of the rounded-off figures of the sub-items was used.
The differences deriving from this accounting practice are to be considered extraneous to the Balance Sheets, and have been highlighted in that document among the "Other Assets/Liabilities" and among the "Extraordinary Proceeds /Costs" entry in the Profit and Loss Account; this is per the general criteria for drawing up bank financial statements:

FIGURES IN EURO

LIABILITIES	424,363,714
ENDOWMENT FUND	12,911,425
RESERVES	14,080,448
PROFIT	1,294,365
ASSETS	**452,649,952**

GUARANTEES AND COMMITMENTS	
GUARANTEES ISSUED	9,047,984
GUARANTEES RECEIVED	452,756,423
COMMITMENTS	221,203

SUSPENSE ACCOUNTS	
ASSET MANAGEMENT	0
DEPOSITED THIRD-PARTY SECURITIES	28,500,212
3rd PARTY SECURITIES DEP. W/3rd PARTIES	33,907,060
OWNED SECURITIES DEP. W/3rd PARTIES	204,840,001
OWNED VALUABLES IN BANK VAULT	454,851
OTHER OPERATIONS	155,707,208
TOTAL SUSPENSE ACCOUNTS	**423,409,332**

THE OUTCOME OF THE BALANCE SHEETS IS CONFIRMED BY THE RECLASSIFIED PROFIT AND LOSS ACCOUNT, AS FOLLOWS

MONEY MANAGEMENT MARGIN	10,244,229
PROCEEDS FROM FINANCIAL OPERATIONS	2,656,140
FINANCIAL OPERATION COSTS	– 5,242,280
OTHER OPERATING PROCEEDS	3,655,971
OTHER OPERATING COSTS	– 174,316
OTHER PROCEEDS	1,622,311
LABOUR COSTS	– 7,167,571
DEPRECIATION AND PROVISION COSTS	– 504,501
OTHER COSTS	– 3,537,787

ORDINARY OPERATING PROCEEDS	**1,552,196**
EXTRAORDINARY OPERATING PROCEEDS	500
EXTRAORDINARY OPERATING COSTS	0
WINDFALL PROCEEDS	38,763
WINDFALL COSTS	– 197,094
PRE-PROVISION PROFITS	1,394,365
PROVISION TO FUND GEN. BANKING RISKS	– 100,000
USE OF MISCELLANEOUS FUNDS	0
PRE-TAX PROFITS	**1,294,365**
INCOME TAXES	**0**
NET PROFITS	1,294,365

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 31/12/11 the Fund for General Banking Risks, following the balance sheet plans, amounted to euro 47,236,730. Compared to the preceding Financial Statements the aforesaid increased by euro 100.000, 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 Statutory Auditors has examined the Report made by the Independent Auditing firm appointed by the Shareholders Assembly, which arrived on 25th April 2012, 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 Statutory Auditors carried out its periodic checks during the 2011 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 Statutory 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 Statues violated. Finally, none of the aforesaid actions were contrary to the decisions made during the Shareholders' Assembly;
- The Board of Statutory 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 Statutory Auditors declares that- to the extent of its responsibility and to the best of its knowledge – its opinion is that 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 Statutory Auditors therefore invites the Shareholders Assembly to approve the Balance Sheets closed on 31st December 2011 in the form proposed by the Governing Council.

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

San Marino, 20th May 2012

The Board of Auditors
Irene Lonfernini
Guido Zafferani

Indipendent Auditor's Report

BDO

Tel./Fax: +378 0549970247
www.bdo.sm

Via Tre Settembre, 184
47891 Dogana
Repubblica di San Marino

Report of the Independent Audit Firm
according to art. 23, comma 3 of Statute
(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, 2011. 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 our report issued on May 2, 2011.

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.

Dogana, April 18, 2012

BDO S.r.l.

Paolo Scelsi
Administrator

BDO S.r.l. - Sede Legale: Via Tre Settembre, 184 - 47891 Dogana - Repubblica di San Marino - Capitale Sociale Euro 26.000 i.v.
COE SM20947 - Iscritta nel Registro delle Società al n. 4537 del 27/12/2006 - Iscritta al Registro delle Società di Revisione al n. 10 del 24/01/2007

BDO S.r.l., società a resposabilità limitata sammarinese, è membro di BDO International Limited, società di diritto inglese (company limited by guarantee), e fa parte della rete internazionale BDO, network di società indipendenti.

Finito di stampare
nel mese di Settembre 2012

Impaginazione: OLIMPIA VISUAL PLAN - R.S.M.
Stampa: STUDIOSTAMPA - R.S.M.

BANCA
CENTRALE

DELLA REPUBBLICA
DI SAN MARINO

www.bcsm.sm