

**BANCA  CENTRALE**  
DELLA REPUBBLICA DI SAN MARINO

# ANNUAL REPORT

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## 2013





# **Annual Report 2013**



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**BANCA CENTRALE DELLA REPUBBLICA DI SAN MARINO**  
**CENTRAL BANK OF THE REPUBLIC OF SAN MARINO**  
Publicly and privately owned entity  
Economic Operator Code SM04262 – Endowment fund Euro 12,911,425.00 fully paid up

Registered Office – Via del Voltone, 120 – 47890 San Marino – Republic of San Marino  
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country code (+) 378 swift code: icsmsmsm  
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## CONTENTS

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|  |           |
|--|-----------|
| <b>GOVERNING BODIES OF THE CENTRAL BANK OF THE REPUBLIC OF SAN MARINO<sup>I</sup></b> .....      | <b>4</b>  |
| <b>GOVERNING COUNCIL REPORT ON 2013 MANAGEMENT</b> .....   | <b>6</b>  |
| <b>IMPORTANT EVENTS WHICH OCCURRED AFTER THE CLOSURE OF THE FINANCIAL YEAR</b> .....             | <b>13</b> |
| <b>2013 FINANCIAL STATEMENTS</b> .....   | <b>14</b> |
| <b>Balance Sheet Assets</b> .....  | <b>16</b> |
| <b>Balance Sheet Liabilities</b> .....   | <b>17</b> |
| <b>Guarantees and Commitments</b> .....  | <b>18</b> |
| <b>Suspense Accounts</b> .....   | <b>18</b> |
| <b>Profit and Loss Account</b> .....   | <b>19</b> |
| <b>Reclassified Profit and Loss Account</b> .....  | <b>21</b> |
| <b>NOTES TO THE FINANCIAL STATEMENTS</b> .....   | <b>24</b> |
| <b>Part B - Information on the Balance Sheet</b> .....   | <b>31</b> |
| <b>Part C - Information on the Profit and Loss Account</b> .....                                 | <b>46</b> |
| <b>APPENDIX TO THE NOTES</b> .....   | <b>53</b> |
| <b>Annex 1 - Human Resources Schedule</b> .....  | <b>54</b> |
| <b>Annex 2 - Net Equity Changes Schedule</b> .....   | <b>55</b> |
| <b>Annex 3 – 2013 Statement of Financial Conditions</b> .....                                    | <b>56</b> |
| <b>BOARD OF STATUTORY AUDITORS REPORT ON THE BALANCE SHEETS CLOSED ON 31 DECEMBER 2013</b> ..... | <b>59</b> |
| <b>INDEPENDENT AUDITOR'S REPORT ON THE BALANCE SHEETS CLOSED ON 31 DECEMBER 2013</b> .....       | <b>67</b> |





# Governing Bodies of the Central Bank of the Republic of San Marino<sup>I</sup>

## Governing Council

|                   |               |
|-------------------|---------------|
| Renato Clarizia   | Chairman      |
| Stefano Bizzocchi | Vice Chairman |
| Silvia Cecchetti  | Member        |
| Giorgio Lombardi  | Member        |
| Marco Mularoni    | Member        |
| Aldo Simoncini    | Member        |

## Board of Statutory Auditors

|                           |                   |
|---------------------------|-------------------|
| Irene Lonfernini          | Chairman          |
| Luca Marcucci             | Statutory Auditor |
| Sandy Concetta Stefanelli | Statutory Auditor |

## Directorate General

|                  |                         |
|------------------|-------------------------|
| Mario Giannini   | Director General        |
| Daniele Bernardi | Deputy Director General |

## Supervision Committee

|                 |                    |
|-----------------|--------------------|
| Mario Giannini  | Chairman           |
| Antonio Gumina  | External Inspector |
| Francesco Ielpo | Internal Inspector |
| Andrea Vivoli   | Internal Inspector |

I: on 31st December 2013





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## Governing Council Report on 2013 Management







## Dear Shareholders,

the main data and economic-equity indicators pertaining to 2013 management are summarized in the table below.

|  | 2013               | 2012               | Variations        |              |
|--|--------------------|--------------------|-------------------|--------------|
|  |                    |                    | Absolute          | %            |
| <b>Balance Sheet Totals</b>                  | <b>444,896,714</b> | <b>360,454,175</b> | <b>84,442,539</b> | <b>23.4%</b> |
| Inter-bank loans                             | 88,951,027         | 193,946,608        | -104,995,581      | -54.1%       |
| Customer loans                               | 66,831,364         | 39,702,232         | 27,129,132        | 68.3%        |
| Bonds and other debt securities              | 265,619,039        | 106,660,608        | 158,958,431       | 149.0%       |
| Shares, quotas and other capital securities  | 2,840              | 1,463              | 1,377             | 94.1%        |
| Holdings                                     | 0                  | 445,231            | -445,231          | -100.0%      |
| Debts with banks                             | 179,918,723        | 87,475,730         | 92,442,993        | 105.7%       |
| Debts with customers                         | 168,248,230        | 164,087,002        | 4,161,228         | 2.5%         |
| Debts represented by securities              | 1,013,806          | 13,901,803         | -12,887,997       | -92.7%       |
| Net Equity <sup>1</sup>                      | 81,361,159         | 81,138,317         | 222,842           | 0.3%         |
| Money management margin                      | 2,732,126          | 7,338,771          | -4,606,645        | -62.8%       |
| Profits and losses from financial operations | 4,010,164          | 6,018,541          | -2,008,377        | -33.4%       |
| Financial management margin                  | 6,742,290          | 13,357,312         | -6,615,022        | -49.5%       |
| Gross contribution margin                    | 9,724,388          | 17,311,933         | -7,587,545        | -43.8%       |
| Gross operating margin                       | 692,123            | 7,431,820          | -6,739,697        | -90.7%       |
| Net profit                                   | 293,890            | 2,784,662          | -2,490,772        | -89.5%       |

<sup>1</sup>: Total includes the Endowment Fund, Reserves, the Fund for General Banking Risks and Net profit.

Balance sheet total assets increased in the last financial year from 360.5 euro up to 444.9 million euro.

This growth mainly reflects the significant increase in the securities portfolio managed by the bank (from 106.7 million euro as at 31/12/2012, to 265.6 million euro as at 31/12/2013), due to the greater volumes of deposits from the banking system, especially as regards to the compulsory reserves, the funds released following the reduction in inter-bank loans and the increase in deposits from customers. At the same time, Customer loans also increased, by 27.1 million euro.

In 2013, the Bank disposed of the shares of the S.p.A. ISIS Informatica e Servizi Interbancari Sammarinesi, for which no longer holds any holdings. The value of "Shares, quotas and other capital securities" has changed, but this is only due to the effect of the changed valuation criterion used for financial instruments.

On 31st December 2013 the "Total Net Equity" of the Bank, composed of the Endowment Fund, Reserves, the Fund for General Banking Risks and Net profit increased by 0.2 million euro compared to the previous year.

The Reclassified Profit and Loss Account provides details on the income indicators showing that the Money Management Margin fell by 4.6 million euro, amounting to 62.8%: this mainly reflects the drop in loans to the credit system, which ensured to the Bank a higher interest rate differential compared with that generated by investing in securities.



Net Profits from Financial Operations amounted to 4.0 million euro and this, considering that the Bank only invests in bonds with a low risk profile and in light of the general drop in interest rates, may be considered as a satisfactory result. Consequently, the Financial Management Margin decreased less compared to Money Management Margin (-49.5% compared to -62.8%).

Specifically, as regards to the financial operations, it is worth noting that the increase in liquidity fostered, since the beginning of 2013, an intense activity of security purchases and sales, both on the bond primary market (new issues), and on the secondary market, for the purpose of realising the profits generated from time to time on the positions taken, in a general market environment that, especially in the first half of the year, has been very volatile as regards to both the trend in interest rates and the dynamic of the credit spreads of the main European issuers.

Such a strong purchase and sale activity (the portfolio rotated 8 times, with a traded volume in excess 2 billion euro) made it possible to benefit from a market situation characterised by gradually descending credit spreads, especially in the second half of the year, notwithstanding growing interest rates for maturities of more than one year.

The gross contribution margin is affected, besides the facts mentioned above, by the lower income resulting from the exercise of Treasury and Overdue Tax Collection Services on behalf of the Public Administration. On 30 December last year, in fact, an agreement was entered into with the State Congress for the three year period 2013-2014-2015, which provides for a gross annual lump sum compensation of 2.8 million euro, i.e. 1 million euro less than the amount received in 2012.

Coming now to the items that affect the gross operating margin, other proceeds increased from 1.6 million euro to 1.9 million euro, mainly due to the increase in the share of supervision costs charged to the operators of the financial system (+0.4 million). Part of this recovery (0.1 million) contributed to the creation of a specific fund in the liabilities side, to cover the charges for the extraordinary proceedings referred to in Title II of Law no. 165 dated 17 November 2005 (Law on companies and on banking, financial and insurance services).

Labour costs registered a small, though important, drop from the previous financial year. Other administrative costs decreased by 0.2 million euro. The sale of holdings generated a capital gain of 0.4 million euro. The foregoing determined a gross operating profit of 0.7 million euro.

In 2013, the legal dispute for which a prudential appropriation of 1.1 million euro was credited to a specific fund in the previous year, was settled with a positive result for the Bank; as of today, however, some aspects related to the legal support received within the context of the legal action are still to be defined, and thus the fund has been precautionarily reduced by 0.7 million euro, with a corresponding positive change in income. For this reason, the pre-provisions profit amounts to 1.4 million euro.

In light of this result, an appropriation of 1 million euro was made to the Fund for General Banking Risks, for the purpose of increasing the net equity of the Bank.

Therefore, the net profit for the year amounts to 293,890 euro.

It should be remembered that, consistently with the provisions of the Articles of Association (Law no. 96 dated 29 June 2005), the profits of the Central Bank are exempt from the General Income Tax and, if distributed, contribute to the formation of the taxable income of the Shareholders.

Some of the more significant indices are outlined here below:



| <b>PROFIT INDEX%</b>                     | <b>2013</b> | <b>2012</b> |
|--|-------------|-------------|
| Gross contribution margin / Total assets | 2.2%        | 4.8%        |
| Ordinary operating margin / Total assets | 0.1%        | 2.1%        |
| Net profit / Net Equity (ROE)            | 0.4%        | 3.4%        |
| Net profit / Total assets                | 0.1%        | 0.8%        |

| <b>PRODUCTIVITY INDEX (% - Euro)</b>                                      | <b>2013</b>  | <b>2012</b>  |
|---|--------------|--------------|
| Labour costs <sup>I</sup> / Gross contribution margin                     | 78.7%        | 44.0%        |
| <i>(labour costs)</i>   | (7,652,022)  | (7,623,620)  |
| <i>(gross contribution margin)</i>  | (9,724,388)  | (17,311,933) |
| Ordinary operating margin / Annual average: Human Resources <sup>II</sup> | 3,320        | 85,247       |
| <i>(ordinary operating margin)</i>  | (297,450)    | (7,431,813)  |
| <i>(annual average: Human Resources)</i>                                  | (89.6)       | (87.18)      |
| Ordinary operating margin / Net Equity                                    | 0.4%         | 9.2%         |
| <i>(ordinary operating margin)</i>  | (297,450)    | (7,431,813)  |
| <i>(net equity)</i>   | (81,361,159) | (81,138,317) |

I: Net of reimbursement costs for staff on secondment and includes staff with repeat but temporary employment contracts

II: 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 Articles of Association, the following allocation of profits amounting to 293,890 euro is proposed:

|                                    | euro    |
|------------------------------------|---------|
| To the Ordinary Reserve Fund (40%) | 117,556 |
| To Holding Bodies/Agencies (60%)   | 176,334 |

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

|                                | euro              |
|--------------------------------|-------------------|
| Endowment Fund                 | 12,911,425        |
| Ordinary Reserve Fund          | 6,820,202         |
| Extraordinary Reserve Fund     | 9,627,277         |
| Fund for General Banking Risks | 51,825,921        |
| Other Equity Reserves          | 0                 |
| <b>Total Net Equity</b>        | <b>81,184,825</b> |

**Dear Shareholders,**

The Governing Council's Report on 2013 Management was read and submitted for approval on 26th March 2014.

On behalf of the Governing Council – following the reading of the Board of Statutory 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, pursuant to the laws currently in force.

Heartfelt thanks are due to the Director General and all 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 meetings.

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

San Marino, 16 April 2014



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

For the current financial year, a loan for 60.0 million euro for a term of 6 years subject to a gradual repayment starting in June of this year, a mortgage loan of 4.1 million euro maturing in 2017 and a mortgage loan of 1.3 million euro maturing at the end of 2014, are outstanding.

As regards to the banking system, a loan for 0.5 million euro is currently outstanding, which will be repaid prior to the end of the year.

The negotiations for the renewal of the labour agreements, for both employees and executives, are currently in progress. We hope that the agreements will be signed soon, also in light of the conditions external to the Bank and the general economic situation in the Republic.

Additionally, art. 75 of Law no. 174 dated 20 December 2013 allows the credit institutions holders of units of the endowment fund of this Central Bank, to carry out, not later than on 31 May 2014, the inflation adjustment of the respective holdings. This adjustment must be made on the basis of the value of the net equity of the Central Bank on 31 December 2013. These Financial Statements contain the information necessary for the purposes of such determination.





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## 2013 Financial Statements







## Balance Sheet Assets

|   | 2013        |                    | 2012        |                    |
|---|-------------|--------------------|-------------|--------------------|
| <b>1. CASH AND OTHER VALUABLES</b>                    |             | <b>11,590,038</b>  |             | <b>11,907,852</b>  |
| <b>2. INTER-BANK LOANS</b>                            |             | <b>88,951,027</b>  |             | <b>193,946,608</b> |
| a) sight credits                                      | 88,451,027  |                    | 148,446,608 |                    |
| b) other credits                                      | 500,000     |                    | 45,500,000  |                    |
| <b>3. CUSTOMER LOANS</b>                              |             | <b>66,831,364</b>  |             | <b>39,702,232</b>  |
| <b>4. BONDS AND OTHER DEBT SECURITIES</b>             |             | <b>265,619,039</b> |             | <b>106,660,608</b> |
| a) issued by public institutions                      | 52,867,583  |                    | 3,998,998   |                    |
| b) issued by banks                                    | 165,764,496 |                    | 73,089,063  |                    |
| c) issued by financial institutions                   | 34,309,597  |                    | 21,839,039  |                    |
| d) issued by other institutions                       | 12,677,363  |                    | 7,733,508   |                    |
| <b>5. SHARES, QUOTAS AND OTHER CAPITAL SECURITIES</b> |             | <b>2,840</b>       |             | <b>1,463</b>       |
| <b>6. HOLDINGS</b>                                    |             | <b>0</b>           |             | <b>445,231</b>     |
| <b>7. HOLDINGS IN GROUP BUSINESSES</b>                |             | <b>0</b>           |             | <b>0</b>           |
| <b>8. INTANGIBLE FIXED ASSETS</b>                     |             | <b>174,634</b>     |             | <b>118,059</b>     |
| <b>9. TANGIBLE FIXED ASSETS (net of funds)</b>        |             | <b>4,566,737</b>   |             | <b>4,898,391</b>   |
| a) own assets   | 4,566,737   |                    | 4,898,391   |                    |
| aa) electronic office equipment                       | 17,950      |                    | 16,139      |                    |
| aa) electric office machinery                         | 353         |                    | 733         |                    |
| ac) office furniture and furnishings                  | 52,573      |                    | 95,601      |                    |
| ad) miscellaneous equipment                           | 10,399      |                    | 16,689      |                    |
| ae) mechanical systems and fittings                   | 117,392     |                    | 128,489     |                    |
| af) motor vehicles                                    | 9,520       |                    | 29,996      |                    |
| ag) real property                                     | 3,694,569   |                    | 3,911,897   |                    |
| ah) multi-year costs for real property                | 657,681     |                    | 692,547     |                    |
| ai) other owned property                              | 6,300       |                    | 6,300       |                    |
| <b>10. OTHER ASSETS</b>                               |             | <b>6,677,694</b>   |             | <b>2,224,058</b>   |
| of which: from rounding off in euro units             | 0           |                    | 1           |                    |
| <b>11. ACCRUED REVENUES AND DEFERRED EXPENSES</b>     |             | <b>483,341</b>     |             | <b>549,673</b>     |
| a) accrued revenues                                   | 436,804     |                    | 486,272     |                    |
| b) deferred expenses                                  | 46,537      |                    | 63,401      |                    |
| <b>TOTAL ASSETS</b>                                   |             | <b>444,896,714</b> |             | <b>360,454,175</b> |



## Balance Sheet Liabilities

|  | 2013        |                    | 2012        |                    |
|--|-------------|--------------------|-------------|--------------------|
| <b>1. DEBTS WITH BANKS</b>                       |             | <b>179,918,723</b> |             | <b>87,475,730</b>  |
| a) sight debts                                   | 179,918,723 |                    | 41,475,730  |                    |
| b) term or notice debts                          | 0           |                    | 46,000,000  |                    |
| <b>2. DEBTS WITH CUSTOMERS</b>                   |             | <b>168,248,230</b> |             | <b>164,087,002</b> |
| a) sight debts                                   | 168,248,230 |                    | 164,087,002 |                    |
| b) term or notice debts                          | 0           |                    | 0           |                    |
| <b>3. DEBTS REPRESENTED BY SECURITIES</b>        |             | <b>1,013,806</b>   |             | <b>13,901,803</b>  |
| a) bonds   | 0           |                    | 0           |                    |
| b) certificates of deposit                       | 0           |                    | 13,000,000  |                    |
| c) other securities (repurchase agreements)      | 0           |                    | 0           |                    |
| d) cheques in circulation                        | 1,013,806   |                    | 901,803     |                    |
| <b>4. OTHER LIABILITIES</b>                      |             | <b>13,242,493</b>  |             | <b>12,066,708</b>  |
| of which: from rounding off in euro units        | 0           |                    | 0           |                    |
| <b>5. ACCRUED EXPENSES AND DEFERRED REVENUES</b> |             | <b>0</b>           |             | <b>92,149</b>      |
| a) accrued expenses                              | 0           |                    | 92,149      |                    |
| b) deferred revenues                             | 0           |                    | 0           |                    |
| <b>6. STAFF RETIREMENT ALLOWANCES</b>            |             | <b>612,303</b>     |             | <b>592,466</b>     |
| <b>7. FINANCIAL RISKS AND COSTS FUNDS</b>        |             | <b>500,000</b>     |             | <b>1,100,000</b>   |
| a) retirement and similar costs fund             | 0           |                    | 0           |                    |
| b) tax fund                                      | 0           |                    | 0           |                    |
| c) other funds                                   | 500,000     |                    | 1,100,000   |                    |
| <b>8. TAXED FUND FOR CREDIT RISKS</b>            |             | <b>0</b>           |             | <b>0</b>           |
| <b>9. FUND FOR GENERAL BANKING RISKS</b>         |             | <b>51,825,921</b>  |             | <b>50,825,921</b>  |
| <b>10. ENDOWMENT FUND</b>                        |             | <b>12,911,425</b>  |             | <b>12,911,425</b>  |
| <b>11. ISSUE PREMIUM</b>                         |             | <b>0</b>           |             | <b>0</b>           |
| <b>12. RESERVES</b>                              |             | <b>16,329,923</b>  |             | <b>14,616,309</b>  |
| a) ordinary reserves                             | 6,702,646   |                    | 5,588,781   |                    |
| b) extraordinary reserves                        | 9,627,277   |                    | 8,652,646   |                    |
| c) other reserves                                | 0           |                    | 374,882     |                    |
| <b>13. NET PROFIT</b>                            |             | <b>293,890</b>     |             | <b>2,784,662</b>   |
| <b>TOTAL LIABILITIES</b>                         |             | <b>444,896,714</b> |             | <b>360,454,175</b> |





## Guarantees and Commitments

|   | 2013              | 2012             |
|---|-------------------|------------------|
| <b>GUARANTEES ISSUED</b>                              |                   |                  |
| of which,   |                   |                  |
| a) acceptances  | 0                 | 0                |
| b) other guarantees                                   | 8,908,453         | 8,949,648        |
| <b>COMMITMENTS</b>                                    |                   |                  |
| of which,   |                   |                  |
| a) for certain use                                    |                   |                  |
| aa) foreign currencies and securities to be delivered | 1,884,422         | 0                |
| b) for uncertain use                                  | 0                 | 0                |
| c) other commitments                                  | 0                 | 0                |
| <b>TOTAL</b>  | <b>10,792,875</b> | <b>8,949,648</b> |

## Suspense Accounts

|   | 2013               | 2012               |
|---|--------------------|--------------------|
| <b>ASSET MANAGEMENT</b>   | 0                  | 0                  |
| <b>FINANCIAL INSTRUMENTS CUSTODY AND MANAGEMENT</b>   |                    |                    |
| a) deposited third party financial instruments  | 105,720,725        | 21,043,075         |
| <i>- of which, financial instruments and other assets issued by the bank</i>                      | 0                  | 0                  |
| b) third party financial instruments deposited with third parties                                 | 96,924,909         | 1,949,223          |
| c) owned financial instruments deposited with third parties                                       | 265,621,879        | 108,670,001        |
| <b>FINANCIAL INSTRUMENTS AND OTHER ASSETS LINKED TO THE ACTIVITIES AS CUSTODIAN BANK</b>          |                    |                    |
| a) liquidity held with the bank for the purposes of the activities as custodian bank Fondiss      | 0                  | 0                  |
| b) deposits with banks of San Marino for the purposes of the activities as custodian bank Fondiss | 0                  | 0                  |
| <b>TOTAL</b>  | <b>468,267,513</b> | <b>131,662,299</b> |



## Profit and Loss Account

|   | 2013               | 2012               |
|---|--------------------|--------------------|
| <b>1. INTEREST RECEIVED AND OTHER PROCEEDS</b>  | <b>3,107,529</b>   | <b>9,173,415</b>   |
| a) on inter-bank loans  | 153,935            | 6,490,283          |
| b) on customer loans  | 501,215            | 183,851            |
| c) on Government securities and bonds   | 2,452,379          | 2,499,281          |
| <b>2. INTEREST PAID AND OTHER COSTS</b>   | <b>-375,403</b>    | <b>-1,883,554</b>  |
| a) on debts with banks  | -159,678           | -1,033,398         |
| b) on debts with customers  | -202,654           | -771,864           |
| c) on debts represented by securities (repos)   | -13,071            | -78,292            |
| <b>3. DIVIDENDS AND OTHER PROCEEDS</b>  | <b>0</b>           | <b>48,910</b>      |
| a) on shares, quotas and other capital securities                                     | 0                  | 0                  |
| b) on holdings  | 0                  | 48,910             |
| c) on holdings in group businesses  | 0                  | 0                  |
| <b>4. COMMISSIONS RECEIVED</b>  | <b>2,838,070</b>   | <b>3,832,556</b>   |
| <b>5. COMMISSIONS PAID</b>  | <b>-58,787</b>     | <b>-50,369</b>     |
| <b>6. PROFITS (LOSSES) FROM FINANCIAL OPERATIONS</b>                                  | <b>4,010,164</b>   | <b>6,018,541</b>   |
| <b>7. OTHER OPERATING PROCEEDS</b>  | <b>2,232,471</b>   | <b>1,864,623</b>   |
| <b>8. OTHER OPERATING COSTS</b>   | <b>-192,578</b>    | <b>-107,466</b>    |
| <b>9. ADMINISTRATIVE COSTS</b>  | <b>-10,728,201</b> | <b>-10,961,622</b> |
| a) labour costs   | -7,324,651         | -7,356,034         |
| aa) wages and salaries  | -4,708,733         | -4,676,187         |
| ab) pension contributions   | -1,375,689         | -1,335,744         |
| ac) retirement allowances   | -614,456           | -594,443           |
| ad) severance and indemnity-related costs   | 0                  | 0                  |
| ae) other labour costs  | -625,773           | -749,660           |
| b) other administrative costs   | -3,403,550         | -3,605,588         |
| <b>10. VALUE ADJUSTMENTS ON INTANGIBLE AND TANGIBLE FIXED ASSETS</b>                  | <b>-535,815</b>    | <b>-503,220</b>    |
| <b>11. PROVISIONS FOR FINANCIAL RISKS AND COSTS</b>                                   | <b>-100,000</b>    | <b>-1,100,000</b>  |
| <b>12. VALUE ADJUSTMENTS ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS</b> | <b>0</b>           | <b>0</b>           |
| <b>13. VALUE RECOVERIES ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS</b>  | <b>0</b>           | <b>0</b>           |
| <b>14. PROVISIONS TO THE CREDIT RISKS FUNDS</b>                                       | <b>0</b>           | <b>0</b>           |
| <b>15. VALUE ADJUSTMENTS ON FINANCIAL FIXED ASSETS</b>                                | <b>0</b>           | <b>0</b>           |





|  | 2013              | 2012              |
|--|-------------------|-------------------|
|  | 0                 | 0                 |
| <b>16. VALUE RECOVERIES ON<br/>FINANCIAL FIXED ASSETS</b>  |                   |                   |
| <b>17. PROFIT (LOSS) ON ORDINARY ACTIVITIES</b>            | <b>197,450</b>    | <b>6,331,814</b>  |
| <b>18. EXTRAORDINARY PROCEEDS</b>                          | <b>1,116,597</b>  | <b>63,845</b>     |
| of which: from rounding off in euro units                  | 0                 | 0                 |
| <b>19. EXTRAORDINARY COSTS</b>                             | <b>-20,157</b>    | <b>-10,997</b>    |
| of which: from rounding off in euro units                  | 0                 | -1                |
| <b>20. EXTRAORDINARY PROFIT (LOSS)</b>                     | <b>1,096,440</b>  | <b>52,848</b>     |
| <b>21. VARIATION TO THE FUND FOR GENERAL BANKING RISKS</b> | <b>-1,000,000</b> | <b>-3,600,000</b> |
| <b>22. INCOME TAX FOR THE FINANCIAL YEAR</b>               | <b>0</b>          | <b>0</b>          |
| <b>23. PROFIT (LOSS) FOR THE FINANCIAL YEAR</b>            | <b>293,890</b>    | <b>2,784,662</b>  |





## Reclassified Profit and Loss Account

|   | 2013              | 2012              |
|---|-------------------|-------------------|
| <b>1. INTEREST RECEIVED</b>                   | <b>655,150</b>    | <b>6,674,134</b>  |
| 1.1 from customers                            | 501,215           | 183,851           |
| 1.2 from banks                                | 153,935           | 6,490,283         |
| 1.2.1 current account and sight deposits      | 2,972             | 3,609             |
| 1.2.2 term deposits and repurchase agreements | 857               | 51,205            |
| 1.2.3 other interest                          | 150,106           | 6,435,469         |
| <b>2. INTEREST ON SECURITIES</b>              | <b>2,452,379</b>  | <b>2,499,281</b>  |
| <b>3. DIVIDENDS AND OTHER PROCEEDS</b>        | <b>0</b>          | <b>48,910</b>     |
| <b>4. INTEREST PAID</b>                       | <b>-375,403</b>   | <b>-1,883,554</b> |
| 4.1 to customers                              | -202,654          | -771,864          |
| 4.1.1 current account and sight deposits      | -202,654          | -473,588          |
| 4.1.2 term deposits and repurchase agreements | 0                 | -298,276          |
| 4.2 to banks                                  | -159,678          | -1,033,398        |
| 4.3 other assimilated interest and costs      | -13,071           | -78,292           |
| <b>A. MONEY MANAGEMENT MARGIN</b>             | <b>2,732,126</b>  | <b>7,338,771</b>  |
| <b>5. PROFITS FROM FINANCIAL OPERATIONS</b>   | <b>4,829,145</b>  | <b>6,080,307</b>  |
| <b>6. FINANCIAL OPERATION COSTS</b>           | <b>-818,981</b>   | <b>-61,766</b>    |
| <b>B. FINANCIAL MANAGEMENT MARGIN</b>         | <b>6,742,290</b>  | <b>13,357,312</b> |
| <b>7. OTHER OPERATING PROCEEDS</b>            | <b>3,141,386</b>  | <b>4,112,456</b>  |
| 7.1 proceeds from securities management       | 16,760            | 249               |
| 7.2 proceeds from foreign currency management | 0                 | 0                 |
| 7.3 other proceeds                            | 3,124,626         | 4,112,207         |
| <b>8. OTHER OPERATING COSTS</b>               | <b>-159,288</b>   | <b>-157,835</b>   |
| 8.1 securities management costs               | -39,150           | -22,760           |
| 8.2 foreign currency management costs         | 0                 | 0                 |
| 8.3 other costs                               | -120,138          | -135,075          |
| <b>C. GROSS CONTRIBUTION MARGIN</b>           | <b>9,724,388</b>  | <b>17,311,933</b> |
| <b>9. OTHER PROCEEDS</b>                      | <b>1,909,798</b>  | <b>1,563,316</b>  |
| of which: from rounding off in euro units     | 1                 | 0                 |
| <b>10. LABOUR COSTS</b>                       | <b>-7,305,294</b> | <b>-7,334,628</b> |
| 10.1 clerical                                 | -3,176,177        | -3,155,562        |
| 10.2 management and officers                  | -1,532,556        | -1,520,625        |
| 10.3 pension contributions                    | -1,375,689        | -1,335,744        |
| 10.4 provision to employee retirement fund    | -614,456          | -594,443          |
| 10.5 miscellaneous personnel costs            | -625,774          | -749,660          |
| (minus personnel expense reimbursements)      | 19,358            | 21,406            |





|  | 2013              | 2012              |
|--|-------------------|-------------------|
| <b>11. DEPRECIATION AND PROVISIONS COSTS</b>               | <b>-535,816</b>   | <b>-503,220</b>   |
| <b>12. OTHER COSTS</b>                                     | <b>-3,495,626</b> | <b>-3,605,588</b> |
| of which: from rounding off in euro units                  | 1                 | 0                 |
| <b>D. ORDINARY OPERATING MARGIN</b>                        | <b>297,450</b>    | <b>7,431,813</b>  |
| <b>13. EXTRAORDINARY OPERATING PROCEEDS</b>                | <b>394,673</b>    | <b>7</b>          |
| <b>14. EXTRAORDINARY OPERATING COSTS</b>                   | <b>0</b>          | <b>0</b>          |
| <b>E. GROSS OPERATING MARGIN</b>                           | <b>692,123</b>    | <b>7,431,820</b>  |
| <b>15. WINDFALL PROCEEDS</b>                               | <b>721,924</b>    | <b>63,838</b>     |
| <b>16. WINDFALL COSTS</b>                                  | <b>-20,157</b>    | <b>-10,996</b>    |
| <b>F. PRE-PROVISIONS PROFITS</b>                           | <b>1,393,890</b>  | <b>7,484,662</b>  |
| <b>17. PROVISIONS FOR FINANCIAL RISKS AND COSTS</b>        | <b>-100,000</b>   | <b>-1,100,000</b> |
| <b>18. PROVISION TO THE FUND FOR GENERAL BANKING RISKS</b> | <b>-1,000,000</b> | <b>-3,600,000</b> |
| <b>19. USE OF MISCELLANEOUS FUNDS</b>                      | <b>0</b>          | <b>0</b>          |
| <b>G. PRE-TAX PROFITS</b>                                  | <b>293,890</b>    | <b>2,784,662</b>  |
| <b>20. INCOME TAXES</b>                                    | <b>0</b>          | <b>0</b>          |
| <b>H. NET PROFIT</b>                                       | <b>293,890</b>    | <b>2,784,662</b>  |





## Notes to the Financial Statements





## Structure and Contents of the Financial Statements

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

#### **PART B - INFORMATION ON THE BALANCE SHEET**

##### **Section 1 - Credits**

##### **Section 2 - Securities**

##### **Section 3 - Holdings**

##### **Section 4 - Intangible and Tangible Fixed Assets and Leasing**

##### **Section 5 - Other Items of the Assets Account**

##### **Section 6 - Debts**

##### **Section 7 - Other items of the Liabilities Account**

##### **Section 8 - Funds**

##### **Section 9 - Capital, Reserves, Fund for General Banking Risks**

##### **Section 10 - Guarantees and Commitments**

##### **Section 11 - Suspense Accounts**

#### **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 Account Items**

##### **Section 7 - Other Profit and Loss Account Information**

## Structure and Contents of the Financial Statements

The Balance Sheets and Financial Statements for 2013 have been drawn up in accordance with the laws currently in force. In particular, Law 96 from 29th June 2005 (Articles of Association of the Central Bank of the Republic of San Marino), Law 165 from 17th November 2005 (Law on Companies and on Banking, Financial and Insurance Services), and Law 47 from 23rd February 2006 (Companies Law).

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 facilitating readers' analysis of the data, comparison is 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 non-euro currencies have been included in the latter category.

The values 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 Sheets, 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.

## Part A - Valuation Criteria

### Section 1 - Illustration of the Valuation Criteria

The 2013 Balance Sheets and Financial Statements have been drawn up in accordance with the general accounting principles of prudence, pertinence and continuity.

#### 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 entered at the value corresponding to the relative commitment undertaken or guaranteed. The securities and foreign currencies to be 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

- Securities held as investment (not present): the securities held as investment are recognised at their book value, which corresponds to the purchase cost.

The value is adjusted for the portion of the trading spread (scarto di negoziazione) and interest accrued.

The securities are depreciated in case of permanent impairment of the value due to the deterioration of the situation of the issuer or of the ability of the country of residence of the latter to repay its debts. If the circumstances giving rise to the devaluations cease to exist, then they are no longer maintained.

- Securities held for trading: the bond portfolio is valued at the market value published by Invest Banca (provider of investment services) on the last business day of the financial year.

The difference between the book value of the individual security and its market value is recognised in the profit and loss account under "Profits (losses) from financial transactions".

Until the financial year 2012, the securities held for trading were, instead, valued according to the criterion of the lower between the purchase price, calculated according to the Lifo method with annual layers, and the market value determined on the basis of the mean of the prices of December. Given this change in the valuation criterion, the explanatory notes indicate what the value of the portfolio of securities held for trading would have been as at 31/12/2012 if the new criterion were applied, with the consequent economic impact.

The value of the zero coupon bonds includes the relevant portion of interest accrued as at the date of these Financial Statements.

Shares are valued at the market price on the last business day of the financial year, with reference, should no other sources be available, to the value notified by the issuer. Given this change in the valuation criterion, the explanatory notes indicate, also for the shares, what the value of the shares would have been as at 31/12/2012 if the new criterion were applied, with the consequent economic impact.

### HOLDINGS (not present as at 31/12/2012)

Holdings were purchased for their stable investment characteristics and were valued following the net equity criteria illustrated in last year's financial statements.

The application of this valuation method to 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 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 at the end of the financial statements period; these are entered onto the balance sheets per the value on their maturation date.

#### TANGIBLE FIXED ASSETS

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

During 2013 no devaluations and/or re-valuations were carried out on their value.

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 (it should be pointed out that no such operations were underway on 31st December 2013): 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 accounting principle of temporal pertinence.

#### STAFF 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.

#### FINANCIAL RISKS AND COSTS FUNDS

They are established for the purpose of covering certain or likely losses or debts, for which, however, at the end of the financial year the amount or occurrence day could not be determined. In the valuation of such funds, the general principles of prudence and expertise were satisfied, and no fund for generic risks was created without any underlying economic reason. Potential liabilities were recognised in the financial statements and registered in the funds if deemed likely and where their relevant amount and costs could be reasonably estimated.

There is no "tax fund" given that the Articles of Association of the Central Bank's set out that profits are exempt from General Income Tax.



#### FUND FOR GENERAL BANKING RISKS

This fund was set up to cover general business risks and, therefore, constitutes net equity. The amount of any variation in this item is entered under this specific title in the Profit and Loss Account.

#### GUARANTEES AND COMMITMENTS - SUSPENSE ACCOUNTS

The model of these accounts has been changed, with the adoption of that specified in the Regulation of the Central Bank no. 2008-02. The items of the financial statements as at 31/12/2012 were reclassified according to this new model.

## Part B - Information on the Balance Sheet

### Section 1 - Credits

#### 1.1 Cash and other valuables (detailed breakdown of 1)

|                          | 2013       | 2012       |
|--------------------------|------------|------------|
| cash and other valuables | 11,590,038 | 11,907,852 |

The vault cash is comprised of euro denominated notes and coins for a value of 11,585,919 euro, including the cash available at the company that performs the services of centralised cash management.

It also includes foreign currencies for a countervalue of 3,919 euro and cash funds for 200 euro created at the Registry of the Court of San Marino for the legal notification expenses.

#### 1.2 Inter-bank loans (detailed breakdown of 2)

|                  | 2013       |            | 2012        |             |
|------------------|------------|------------|-------------|-------------|
| inter-bank loans |            | 88,951,027 |             | 193,946,608 |
| - sight credits  | 88,451,027 |            | 148,446,608 |             |
| - other credits  | 500,000    |            | 45,500,000  |             |

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             |                    |
|----------------------------|-------------------|--------------------|------------------|----------------|-------------------|--------------------|
|                            | 2013              | 2012               | 2013             | 2012           | 2013              | 2012               |
| sight credits              |                   |                    |                  |                |                   |                    |
| - current accounts         | 87,994,848        | 148,248,808        | 456,179          | 197,800        | 88,451,027        | 148,446,608        |
| - other technical forms    | 0                 | 0                  | 0                | 0              | 0                 | 0                  |
| other credits              |                   |                    |                  |                |                   |                    |
| - term deposits            | 0                 | 0                  | 0                | 0              | 0                 | 0                  |
| - subsidies                | 500,000           | 45,500,000         | 0                | 0              | 500,000           | 45,500,000         |
| - of which                 |                   |                    |                  |                |                   |                    |
| matured subsidies          | 500,000           | 2,000,000          | 0                | 0              | 500,000           | 2,000,000          |
| <b>Total</b>               | <b>88,494,848</b> | <b>193,748,808</b> | <b>456,179</b>   | <b>197,800</b> | <b>88,951,027</b> | <b>193,946,608</b> |
| of which:                  |                   |                    |                  |                |                   |                    |
| - granted to non residents | 87,994,848        | 148,248,808        | 456,179          | 197,800        | 88,451,027        | 148,446,608        |
| - granted to residents     | 500,000           | 45,500,000         | 0                | 0              | 500,000           | 45,500,000         |

The value of the "sight" inter-bank loans includes mainly the cash held with central banks and supranational institutions that, being the interbank sight collections and for a very short term, it was not appropriate to invest on longer maturities.



The "matured subsidies" item amounting to 500,000 euro is the residual debt as of 31st December 2013 that a supervised subject must reimburse on a loan (3,074,530 euro) that matured on 15th October 2010. The deadline for full reimbursement is 31st December of this year. Against this loan, the Bank received a guarantee, in the form of a "strong comfort letter", for an aggregate amount of 3,074,530 euro.

The "interest to be received from banks", accrued and matured as at the end of the financial year, amounting to 2,028 euro, is included in the "sight" item.

### 1.3 Customer loans (detailed breakdown of 3)

|                | 2013       | 2012       |
|----------------|------------|------------|
| customer loans | 66,831,364 | 39,702,232 |

The "customer loans" entry, displayed below according to technical form and currency, can be broken down as follows:

|                            | Euro              |                   | Other currencies |          | Total             |                   |
|----------------------------|-------------------|-------------------|------------------|----------|-------------------|-------------------|
|                            | 2013              | 2012              | 2013             | 2012     | 2013              | 2012              |
| - current accounts         | 60,318,525        | 30,173,951        | 0                | 0        | <b>60,318,525</b> | <b>30,173,951</b> |
| - mortgage loans           | 1,103,128         | 1,294,340         | 0                | 0        | <b>1,103,128</b>  | <b>1,294,340</b>  |
| - other mortgages          | 5,409,711         | 8,233,941         | 0                | 0        | <b>5,409,711</b>  | <b>8,233,941</b>  |
| - other credits            | 0                 | 0                 | 0                | 0        | <b>0</b>          | <b>0</b>          |
| <b>Total</b>               | <b>66,831,364</b> | <b>39,702,232</b> | <b>0</b>         | <b>0</b> | <b>66,831,364</b> | <b>39,702,232</b> |
| of which:                  |                   |                   |                  |          |                   |                   |
| - granted to non residents | 23,503            | 27,397            | 0                | 0        | <b>23,503</b>     | <b>27,397</b>     |
| - granted to residents     | 66,807,861        | 39,674,835        | 0                | 0        | <b>66,807,861</b> | <b>39,674,835</b> |

The "customer loans" refer to credit lines, in the technical forms specified above, granted to the Public Administration and, to a minimum extent, to the dependent employees of the Central Bank. Specifically, the "current accounts" item includes a loan for 60.0 million euro granted to the Most Excellent Chamber for a period of 6 years, to be repaid starting from June this year.

"Mortgage loans" exclusively concern the dependent employees of the Central Bank, while the "other loans" item stands for the residual debt remaining from loans granted to the Public Administration, specifically, a mortgage for 1.3 million euro maturing at the end of this year and a mortgage for 4.1 million euro maturing in 2017.

Against these loans, the Bank received guarantees for 22,012,300 euro.

The "interest to be debited to customers", accrued and matured as at the end of the financial year, amounting to 122,156 euro, is included in the "current accounts" item.

## Section 2 - Securities

### 2.1 Bonds and other debt securities (detailed breakdown of 4)

Property Securities appear under the following items:

|                                    | 2013        |             | 2012       |             |
|------------------------------------|-------------|-------------|------------|-------------|
| Bonds and other debt securities:   |             | 265,619,039 |            | 106,660,608 |
| - issued by public institutions    | 52,867,583  |             | 3,998,998  |             |
| - issued by banks                  | 165,764,496 |             | 73,089,063 |             |
| - issued by financial institutions | 34,309,597  |             | 21,839,039 |             |
| - issued by other institutions     | 12,677,363  |             | 7,733,508  |             |

The securities portfolio is entirely comprised of securities "held for trading" and for treasury needs.

|                           | Balance Sheet Value |                    |
|---------------------------|---------------------|--------------------|
|                           | 2013                | 2012               |
| 1. debt securities        | 265,619,039         | 106,660,608        |
| 1.1 government securities | 0                   | 0                  |
| 1.2 other securities      | 265,619,039         | 106,660,608        |
| <b>Total</b>              | <b>265,619,039</b>  | <b>106,660,608</b> |

At the beginning of 2013, the valuation criterion for the securities held for trading changed from the lower between the Lifo value and the mean of the market prices of the last month, to the criterion of the market price as at the end of the financial year. As a consequence, the value of the securities portfolio as at 31/12/2013 includes capital losses registered for 818,981 euro and capital gains for 93,245 euro.

For a correct interpretation of the data of 2013 compared with those of 2012, it should be noted that the securities portfolio as at 31/12/2012, if assessed with the new criterion, instead of a registered value of 106,660,608 euro would have had a value of 108,785,041 euro, inclusive of capital losses for 30,049 euro and capital gains for 2,092,715 euro.

The annual changes in the securities portfolio are shown in the table below:

|   | 2013          |                      | 2012        |                    |
|---|---------------|----------------------|-------------|--------------------|
| <b>A. Initial balance</b>               |               | <b>106,660,608</b>   |             | <b>196,855,644</b> |
| <b>B. Increases</b>                     |               | <b>1,152,744,360</b> |             | <b>421,587,766</b> |
| B.1 purchases                           |               |                      |             |                    |
| - debt securities                       | 1,147,575,690 |                      | 415,428,845 |                    |
| <i>government securities</i>            | 0             |                      | 0           |                    |
| <i>other securities</i>                 | 1,147,575,690 |                      | 415,428,845 |                    |
| - capital securities                    | 0             |                      | 0           |                    |
| B.2 value recoveries and revaluations   |               | 0                    |             | 0                  |
| B.3 transfer from the trading portfolio |               | 0                    |             | 0                  |
| B.4 other variations                    |               | 5,168,670            |             | 6,158,921          |
| <b>C. Decreases</b>                     |               | <b>993,785,929</b>   |             | <b>511,782,802</b> |





|   | 2013        |                    | 2012        |                    |
|---|-------------|--------------------|-------------|--------------------|
| C.1 sales and refunds                   |             |                    |             |                    |
| - debt securities                       | 992,808,264 |                    | 511,698,792 |                    |
| <i>government securities</i>            | 0           |                    | 0           |                    |
| <i>other securities</i>                 | 992,808,264 |                    | 511,698,792 |                    |
| - capital securities                    | 0           |                    | 0           |                    |
| C.2 value adjustments                   |             | 818,981            |             | 61,766             |
| C.3 transfer from the trading portfolio |             | 0                  |             | 0                  |
| C.4 other variations                    |             | 158,684            |             | 22,244             |
| <b>D. Final balance</b>                 |             | <b>265,619,039</b> |             | <b>106,660,608</b> |

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

#### Item B.1: purchases

includes:

- issue margins due, on the negotiation date, on non-listed fixed income securities for a total of 396,642 euro

#### Item B.4: other variations

includes:

- profits from securities negotiations totalling 4,913,059 euro, 5,328 euro of which resulting from the change in the valuation criterion (extraordinary proceeds)
- issue margins for 2013 totalling 74,035 euro on non-listed fixed income securities
- capital gains on securities totalling 93,245 euro resulting from the application of the valuation principle shown in Part A
- issue margins matured on zero coupon securities totalling 88,331 euro

#### Item C.1: sales and refunds

includes:

- issue margins amounting to 556,076 euro matured on the negotiation/refund date on non-listed fixed income

#### Item C.2: value adjustments

includes:

- capital losses calculated in application of the valuation principle shown in Part A

#### Item C.4: other variations

includes:

- losses from securities negotiation totalling 158,684 euro

## 2.2 Shares, quotas and other capital securities (detailed breakdown of 5)

|   | Balance Sheet Value |              |
|---|---------------------|--------------|
|   | 2013                | 2012         |
| shares, quotas and other capital securities | 2,840               | 1,463        |
| <b>Total</b>                                | <b>2,840</b>        | <b>1,463</b> |

This item is comprised only of the value of one share of the company Swift, which includes also the capital gains registered as at 31/12/2013 amounting to 1,377 euro.

The variation compared to the previous financial year is due to the change in the valuation criterion, as outlined in Part A. The aforementioned share, if valued with the new criterion, rather than the value registered at the end of 2012 amounting to 1,463 euro, would have had a value of 3,290 euro, with a capital gain of 1,827 euro.



### Section 3 - Holdings

#### 3.1 Holdings (detailed breakdown of 6)

|          | 2013 | 2012    |
|----------|------|---------|
| holdings | 0    | 445,231 |

On 30 April 2013 the entire holding of the Bank in the S.p.A. ISIS Informatica e Servizi Interbancari Sammarinesi was sold. Consequently, the restricted reserves opened against the annual revaluations of the holding were cancelled, with net capital gains for 389,345 euro.

### Section 4 - Intangible and Tangible Fixed Assets and Leasing

#### 4.1 Intangible fixed assets (detailed breakdown of 8)

|                         | 2013    | 2012    |
|-------------------------|---------|---------|
| intangible fixed assets | 174,634 | 118,059 |

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

| Type of asset                          | 2013          |              |                     | 2012          |              |                     |
|--|---------------|--------------|---------------------|---------------|--------------|---------------------|
|  | Original Cost | Depreciation | Balance Sheet Value | Original Cost | Depreciation | Balance Sheet Value |
| multi-year costs on third party assets | 201,162       | 200,737      | 425                 | 200,525       | 200,525      | 0                   |
| software                               | 4,229,534     | 4,055,325    | 174,209             | 4,021,931     | 3,903,872    | 118,059             |
| <b>Total</b>                           |               |              | <b>174,634</b>      |               |              | <b>118,059</b>      |

Balance sheet movements can be summarised as follows:

|                           | 2013           | 2012           |
|---------------------------|----------------|----------------|
| <b>A. Initial balance</b> | <b>118,059</b> | <b>121,012</b> |
| <b>B. Increases</b>       | <b>208,240</b> | <b>107,421</b> |
| B.1 purchases             | 208,240        | 107,421        |
| B.2 value recoveries      | 0              | 0              |
| B.3 revaluations          | 0              | 0              |
| B.4 other variations      | 0              | 0              |
| <b>C. Decreases</b>       | <b>151,665</b> | <b>110,374</b> |
| C.1 sales                 | 0              | 0              |
| C.2 value adjustments     | 151,665        | 110,374        |
| - depreciations           | 151,665        | 110,374        |
| - lasting devaluations    | 0              | 0              |

|                         | 2013           | 2012           |
|-------------------------|----------------|----------------|
| C.3 other variations    | 0              | 0              |
| <b>D. Final balance</b> | <b>174,634</b> | <b>118,059</b> |

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

|  |
|--|
| <b>Item B.1: purchases</b>   |
| includes costs incurred for purchasing software programs for 207,603 euro and multi-year costs on third party assets for 637 euro. |
| <b>Item C.2: value adjustments</b>   |
| includes the portions of amortisation for the year, calculated according to the direct method and amounting to 151,665 euro        |

#### 4.2 Tangible fixed assets (detailed breakdown of 9)

|                              | 2013             | 2012             |
|------------------------------|------------------|------------------|
| <b>tangible fixed assets</b> | <b>4,566,737</b> | <b>4,898,391</b> |
| - owned assets               | 4,566,737        | 4,898,391        |

The table below represents the single components of the values entered onto the Balance Sheets under "tangible fixed assets":

| Type of asset                        | 2013            |                   |                     | 2012            |                   |                     |
|--------------------------------------|-----------------|-------------------|---------------------|-----------------|-------------------|---------------------|
|                                      | Historical cost | Depreciation Fund | Balance Sheet Value | Historical cost | Depreciation Fund | Balance Sheet Value |
| owned assets:                        |                 |                   |                     |                 |                   |                     |
| - electronic office equipment        | 764,971         | 747,021           | <b>17,950</b>       | 754,452         | 738,313           | <b>16,139</b>       |
| - electric office machinery          | 12,671          | 12,318            | <b>353</b>          | 12,671          | 11,938            | <b>733</b>          |
| - furniture and furnishings          | 740,528         | 687,955           | <b>52,573</b>       | 740,528         | 644,927           | <b>95,601</b>       |
| - miscellaneous equipment            | 89,082          | 78,683            | <b>10,399</b>       | 87,372          | 70,683            | <b>16,689</b>       |
| - systems and fittings               | 962,578         | 845,186           | <b>117,392</b>      | 923,776         | 795,287           | <b>128,489</b>      |
| - motor vehicles                     | 126,500         | 116,980           | <b>9,520</b>        | 126,500         | 96,504            | <b>29,996</b>       |
| - essential buildings                | 5,433,190       | 1,738,621         | <b>3,694,569</b>    | 5,433,190       | 1,521,293         | <b>3,911,897</b>    |
| - multi-year costs for real property | 871,664         | 213,983           | <b>657,681</b>      | 871,664         | 179,117           | <b>692,547</b>      |
| - other owned property               | 6,300           | 0                 | <b>6,300</b>        | 6,300           | 0                 | <b>6,300</b>        |
| <b>Total</b>                         |                 |                   | <b>4,566,737</b>    |                 |                   | <b>4,898,391</b>    |

Balance sheet movements can be summarised as follows:

|                           | 2013             | 2012             |
|---------------------------|------------------|------------------|
| <b>A. Initial balance</b> | <b>4,898,391</b> | <b>5,229,625</b> |
| <b>B. Increases</b>       | <b>52,496</b>    | <b>61,612</b>    |



|                         | 2013             | 2012             |
|-------------------------|------------------|------------------|
| B.1 purchases           | 52,496           | 61,612           |
| B.2 value recoveries    | 0                | 0                |
| B.3 revaluations        | 0                | 0                |
| B.4 other variations    | 0                | 0                |
| <b>C. Decreases</b>     | <b>384,150</b>   | <b>392,846</b>   |
| C.1 sales               | 0                | 0                |
| C.2 value adjustments   | 384,150          | 392,846          |
| - depreciations         | 384,150          | 392,846          |
| - lasting devaluations  | 0                | 0                |
| C.3 other variations    | 0                | 0                |
| <b>D. Final balance</b> | <b>4,566,737</b> | <b>4,898,391</b> |

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

|  |
|--|
| <b>Item B.1: purchases</b>   |
| includes the costs for the purchase of:  |
| - electronic office equipment totalling 11,984 euro  |
| - machinery, systems and fittings totalling 38,802 euro  |
| - miscellaneous equipment totalling 1,710 euro   |
| <b>Item C.2: depreciations</b>   |
| Depreciation carried out has been calculated on the rates adopted in the fiscal legislation currently in force |

## Section 5 - Other Items of the Assets Account

### 5.1 Other assets (detailed breakdown of 10)

|  | 2013      | 2012      |
|--|-----------|-----------|
| other assets                                     | 6,677,694 | 2,224,058 |
| <i>of which: from rounding off in euro units</i> | <i>0</i>  | <i>1</i>  |

The following is the detailed breakdown of the "Other Assets" item:

|   | 2013             | 2012             |
|---|------------------|------------------|
| <b>credit with the State:</b>                     | <b>2,924</b>     | <b>410,292</b>   |
| - advances on General Income Tax                  | 1,053            | 0                |
| - taxes paid out                                  | 1,871            | 410,292          |
| for previous fiscal years                         |                  |                  |
| <b>fees to be debited to:</b>                     | <b>91,120</b>    | <b>33,572</b>    |
| - banks   | 91,120           | 33,572           |
| - customers                                       | 0                | 0                |
| current account cheques drawn on other banks      | 0                | 0                |
| other credit and miscellaneous items              | 6,583,650        | 1,780,194        |
| <i>of which: from rounding off in euro units:</i> | <i>0</i>         | <i>1</i>         |
| <b>Total</b>                                      | <b>6,677,694</b> | <b>2,224,058</b> |

"Other credits and miscellaneous items" includes the credits for charges levied for 2013 Supervision fees, totalling 1,900,000 euro, which supervised entities are obliged to pay back to the Central Bank



by 31st May 2014. This item also includes a credit for 2,800,000 euro towards the Public Administration, for the annual fee related to the Treasury and Overdue Tax Collection Service, and a credit for 1,593,500 euro related to the replacement of worn out banknotes service rendered in favour of the banks of San Marino.

## 5.2 Accrued revenues and deferred expenses (detailed breakdown of 11)

|  | 2013    | 2012    |
|--|---------|---------|
| accrued revenues and deferred expenses | 483,341 | 549,673 |
| - accrued revenues                     | 436,804 | 486,272 |
| - deferred expenses                    | 46,537  | 63,401  |

The contents of this item are as follows:

|   | 2013           | 2012           |
|---|----------------|----------------|
| <b>accrued revenues deriving from:</b>  | <b>436,804</b> | <b>486,272</b> |
| - interest on bank deposits             | 0              | 0              |
| - interest on securities                | 436,804        | 486,272        |
| - interest on loans                     | 0              | 0              |
| - interest on bank current accounts     | 0              | 0              |
| <b>deferred expenses deriving from:</b> | <b>46,537</b>  | <b>63,401</b>  |
| - other sources                         | 46,537         | 63,401         |
| <b>Total</b>                            | <b>483,341</b> | <b>549,673</b> |

The deferred expenses on "other sources" were calculated mainly on prepaid rents.

## Section 6 - Debts

### 6.1 Debts with banks (detailed breakdown of 1)

|                        | 2013        | 2012       |
|------------------------|-------------|------------|
| debts with banks       | 179,918,723 | 87,475,730 |
| - sight debts          | 179,918,723 | 41,475,730 |
| - term or notice debts | 0           | 46,000,000 |

The "debts with banks" entry, displayed below according to technical form and currency, can be broken down as follows:

|                    | Euro        |            | Other currencies |        | Total              |                   |
|--------------------|-------------|------------|------------------|--------|--------------------|-------------------|
|                    | 2013        | 2012       | 2013             | 2012   | 2013               | 2012              |
| sight debts        |             |            |                  |        |                    |                   |
| - current accounts | 179,918,685 | 41,380,701 | 38               | 95,029 | <b>179,918,723</b> | <b>41,475,730</b> |



|                            | Euro               |                   | Other currencies |               | Total              |                   |
|----------------------------|--------------------|-------------------|------------------|---------------|--------------------|-------------------|
|                            | 2013               | 2012              | 2013             | 2012          | 2013               | 2012              |
| term or notice debts       |                    |                   |                  |               |                    |                   |
| - term deposits            | 0                  | 46,000,000        |                  |               | 0                  | 46,000,000        |
| <b>Total</b>               | <b>179,918,685</b> | <b>87,380,701</b> | <b>38</b>        | <b>95,029</b> | <b>179,918,723</b> | <b>87,475,730</b> |
| of which:                  |                    |                   |                  |               |                    |                   |
| - granted to residents     | 179,918,685        | 87,380,701        | 38               | 95,029        | 179,918,723        | 87,475,730        |
| - granted to non residents | 0                  | 0                 | 0                | 0             | 0                  | 0                 |

The increase in "debts with banks" mainly reflects the settlement of the purchase of zero coupons securities issued by the State, offset by the "inter-bank loans", and by the increase of the deposits resulting from the compulsory reserve.

The "interest paid to banks", accrued and matured as at the end of the financial year, amounting to 12,681 euro, is included in the "sight" item.

## 6.2 Debts with customers (detailed breakdown of 2)

|                        | 2013        | 2012        |
|------------------------|-------------|-------------|
| debts with customers   | 168,248,230 | 164,087,002 |
| - sight debts          | 168,248,230 | 164,087,002 |
| - term or notice debts | 0           | 0           |

The "debts with customers" entry, displayed below according to technical form and currency, can be broken down as follows:

|                          | Euro               |                    | Other currencies |              | Total              |                    |
|--------------------------|--------------------|--------------------|------------------|--------------|--------------------|--------------------|
|                          | 2013               | 2012               | 2013             | 2012         | 2013               | 2012               |
| sight debts              |                    |                    |                  |              |                    |                    |
| - current accounts       | 168,243,935        | 164,082,292        | 4,295            | 4,710        | 164,248,230        | 164,087,002        |
| - deposit liabilities    | 0                  | 0                  | 0                | 0            | 0                  | 0                  |
| <b>Total</b>             | <b>168,243,935</b> | <b>164,082,292</b> | <b>4,295</b>     | <b>4,710</b> | <b>164,248,230</b> | <b>164,087,002</b> |
| of which:                |                    |                    |                  |              |                    |                    |
| - resident customers     | 168,243,935        | 164,082,292        | 4,295            | 4,710        | 164,248,230        | 164,087,002        |
| - non-resident customers | 0                  | 0                  | 0                | 0            | 0                  | 0                  |

The "interest paid to customers", accrued and matured as at the end of the financial year, amounting to 55,045 euro, is included in the "sight" item.

## 6.3 Debts represented by securities (detailed breakdown of 3)

|                                 | 2013      | 2012       |
|---------------------------------|-----------|------------|
| debts represented by securities | 1,013,806 | 13,901,803 |





|  | 2013      | 2012       |
|--|-----------|------------|
| - bonds                                    | 0         | 0          |
| - certificates of deposit                  | 0         | 13,000,000 |
| - other securities (repurchase agreements) | 0         | 0          |
| - cheques in circulation                   | 1,013,086 | 901,803    |

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

## Section 7 - Other Items of the Liabilities Account

### 7.1 Other liabilities (detailed breakdown of 4)

|  | 2013       | 2012       |
|--|------------|------------|
| other liabilities                                | 13,242,493 | 12,066,708 |
| <i>of which: from rounding off in euro units</i> | 0          | 0          |

The movements registered in the financial year may be summarised as follows:

|  | 2013              | 2012              |
|--|-------------------|-------------------|
| debts for suppliers and services   | <b>268,593</b>    | <b>235,413</b>    |
| debts with the State:  | <b>198,549</b>    | <b>215,614</b>    |
| - direct taxes to be paid as withholding agent                             | 197,953           | 214,467           |
| - indirect taxes   | 596               | 1,147             |
| debts for fees paid to "Governing Council and Board of Statutory Auditors" | <b>92,320</b>     | <b>96,090</b>     |
| debts with the ISS and the FSS   | <b>442,137</b>    | <b>428,712</b>    |
| invoices to be received  | <b>111,156</b>    | <b>78,260</b>     |
| debts with dependent employees   | <b>719,895</b>    | <b>739,146</b>    |
| sums available to third parties:   | <b>9,239,869</b>  | <b>9,338,695</b>  |
| - customers  | 9,235,549         | 9,333,781         |
| - banks  | 4,320             | 4,914             |
| other debts and miscellaneous items  | <b>2,169,974</b>  | <b>934,778</b>    |
| <i>of which: from rounding off in euro units</i>                           | 0                 | 0                 |
| <b>Total</b>   | <b>13,242,493</b> | <b>12,066,708</b> |

"Debts with dependent employees" includes all the compensation relative to 2013 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 available to third parties" refers almost exclusively to Treasury receipts which – due to the time required to process them – have yet to be credited to their relative current accounts.

"Other debts and miscellaneous items" includes the valuation of residual holidays of the employees, including the relevant social security costs and amounts in lieu of retirement allowances, and a debt resulting from the replacement of worn out banknotes service rendered in favour of the banking system.

### 7.2 Accrued expenses and deferred revenues (detailed breakdown of 5)

|  | 2013 | 2012   |
|--|------|--------|
| accrued expenses and deferred revenues | 0    | 92,149 |
| - accrued expenses                     | 0    | 92,149 |
| - deferred revenues                    | 0    | 0      |

This item may be broken down as follows:

|  | 2013     | 2012          |
|--|----------|---------------|
| accrued expenses on:                       | 0        | 92,149        |
| - interest from bank deposits              | 0        | 84,396        |
| - interest from customer deposits          | 0        | 0             |
| - interest on repurchase agreements        | 0        | 0             |
| - interest on bank current accounts        | 0        | 0             |
| - interest on customer current accounts    | 0        | 0             |
| - interest on bank certificates of deposit | 0        | 7,753         |
| deferred revenues on:                      | 0        | 0             |
| - miscellaneous expense recoveries         | 0        | 0             |
| <b>Total</b>                               | <b>0</b> | <b>92,149</b> |

## Section 8 – Funds

### 8.1 Staff retirement allowances (detailed breakdown of 6)

|                             | 2013    | 2012    |
|-----------------------------|---------|---------|
| staff retirement allowances | 612,303 | 592,466 |

This entry reflects the benefit substituting for the retirement allowances accrued by dependent employees in 2013. During the financial year the following variations were registered:

|  | 2013           | 2012           |
|--|----------------|----------------|
| <b>Balance as at 1st January</b>             | <b>592,466</b> | <b>560,124</b> |
| <b>Decreases</b>                             |                |                |
| - used to pay retirement allowances to staff | 592,466        | 560,124        |
| <b>Increases</b>                             |                |                |
| - provisions made for financial year         | 612,303        | 592,466        |
| <b>Balance as at 31st December</b>           | <b>612,303</b> | <b>592,466</b> |

In line with the provisions of the labour agreement currently in force, the retirement allowances accrued during one financial year is paid to the employees not later than on 31st March in the following financial year.

### 8.2 Financial risks and costs funds (detailed breakdown of 7)

|   | 2013    | 2012      |
|---|---------|-----------|
| financial risks and costs fund            | 500,000 | 1,100,000 |
| - retirement funds and similar provisions | 0       | 0         |
| - tax fund                                | 0       | 0         |
| - other funds                             | 500,000 | 1,100,000 |





|  | 2013 | 2012 |
|--|------|------|
|--|------|------|

This item is comprised of the residual amount of the fund created for the legal suit brought by the Icelandic bank Landsbanki Islands (LBI), and of the "extraordinary proceedings" fund.

It should be borne in mind, in fact, that in 2012 a specific fund was created for this suit, which was settled in 2013. The fund has been reduced to 400,000 euro, to cover the economic issues linked to the legal support which are still pending settlement; the difference of 700,000 euro has been registered as contingent asset under the extraordinary elements of income.

As at 31/12/2013, 100,000 euro were appropriated to the fund "extraordinary proceedings" in cover for the payment of the costs (if any) resulting from the proceedings referred to in Title II of Law no. 165 dated 17 November 2005 (extraordinary administration, administrative compulsory liquidation, etc.).

### 8.3 Taxed fund for credit risks (detailed breakdown of 8)

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

## Section 9 – Capital, Reserves, Fund for General Banking Risks

### 9.1 Fund for general banking risks (detailed breakdown of 9)

|                                | 2013       | 2012       |
|--------------------------------|------------|------------|
| fund for general banking risks | 51,825,921 | 50,825,921 |

During the financial year the following variations were registered:

|                                      | 2013              | 2012              |
|--------------------------------------|-------------------|-------------------|
| <b>Balance as at 1st January</b>     | <b>50,825,921</b> | <b>47,236,730</b> |
| <b>Decreases:</b>                    | <b>0</b>          | <b>10,809</b>     |
| - use of fund                        | 0                 | 10,809            |
| <b>Increases:</b>                    | <b>1,000,000</b>  | <b>3,600,000</b>  |
| - provisions made for financial year | 1,000,000         | 3,600,000         |
| <b>Balance as at 31st December</b>   | <b>51,825,921</b> | <b>50,825,921</b> |

As at 31/12/2013 a 1,000,000 euro provision was made to the provision to the Fund for General Banking Risks.

### 9.2 Endowment fund (detailed breakdown of 10)

|                | 2013       | 2012       |
|----------------|------------|------------|
| endowment fund | 12,911,425 | 12,911,425 |



As provided for in art. 20 of the Articles of Association of the Central Bank, the "endowment fund" is subdivided into nominative and indivisible shares of 5,164.57 euro each. The ownership structure of shares is as follows:

- 70% Most Excellent Chamber of the Republic of San Marino;
- 14% Cassa di Risparmio della Repubblica di San Marino S.p.A.;
- 6% Banca di San Marino S.p.A.;
- 5% Banca Agricola Commerciale Istituto Bancario Sammarinese S.p.A.;
- 5% Banca Cis - Credito Industriale Sammarinese S.p.A.

### 9.3 Issue premium (detailed breakdown of 11)

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

### 9.4 Reserves (detailed breakdown of 12)

|                          | 2013       | 2012       |
|--------------------------|------------|------------|
| reserves                 | 16,329,923 | 14,616,309 |
| - ordinary reserves      | 6,702,646  | 5,588,781  |
| - extraordinary reserves | 9,627,277  | 8,652,646  |
| - other reserves         | 0          | 374,882    |

### 9.5 Net profit (detailed breakdown of 13)

|            | 2013    | 2012      |
|------------|---------|-----------|
| net profit | 293,890 | 2,784,662 |

For the explanation concerning the annual variations occurred in the net equity accounts, reference should be made to the relevant statement (annex 2).

As provided for in art. 23 of the Articles of Association, the Shareholders' Meeting is required to vote on the distribution of the total net profit, allocating 40% of it to the ordinary reserve and no less than 25% to the equity-holding institutions.

## Section 10 – Guarantees and Commitments

### 10.1 Guarantees issued

|                     | 2013      | 2012      |
|---------------------|-----------|-----------|
| a) acceptances      | 0         | 0         |
| b) other guarantees | 8,908,453 | 8,949,648 |

The "other guarantees" item includes the bank guarantees granted on behalf of the Public Administration in favour of different Entities.

## 10.2 Commitments

|  | 2013      | 2012 |
|--|-----------|------|
| a) for certain use   | 1,884,422 | 0    |
| - <i>foreign currencies and securities to be delivered</i> | 1,884,422 | 0    |
| b) for uncertain use                                       | 0         | 0    |
| c) other commitments                                       | 0         | 0    |

The item of "for certain use" commitments is comprised only of currencies and foreign currencies to be delivered.

## Section 11 – Suspense Accounts

### 11.1 Asset management

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

### 11.2 Financial instruments custody and management

|  | 2013        | 2012        |
|--|-------------|-------------|
| financial instruments custody and management | 468,267,513 | 131,662,299 |

The "financial instruments custody and management" item is comprised as follows:

|  |             |             |
|--|-------------|-------------|
| a) deposited third party financial instruments                               | 105,720,725 | 21,043,075  |
| - <i>of which, financial instruments and other assets issued by the bank</i> | 0           | 0           |
| b) third party financial instruments deposited with third parties            | 96,924,909  | 1,949,223   |
| c) owned financial instruments deposited with third parties                  | 265,621,879 | 108,670,001 |

### 11.3 Financial instruments and other assets linked to the activities as custodian bank

|   | 2013 | 2012 |
|---|------|------|
| a) liquidity held with the bank for the purposes of the activities as custodian bank Fondiss      | 0    | 0    |
| b) deposits with banks of San Marino for the purposes of the activities as custodian bank Fondiss | 0    | 0    |

The following is also worth noting:

- the assets foreclosed by the Overdue Tax Collection Department of the Central Bank and deposited with third parties, pending their auction sale pursuant to art. 70 et seq. of Law no. 70 dated 25 May 2004, were registered for a value of 97,555 euro;



- the guarantees received with reference to the Overdue Tax Collection Service amount to 8,157,453 euro;
- the value of the assets of third parties held with the Bank amounts to 796,500 euro.

### Part C - Information on the Profit and Loss Account

#### Section 1 – Interest

##### 1.1 Interest received and other proceeds (detailed breakdown of 1)

|                                      | 2013      | 2012      |
|--------------------------------------|-----------|-----------|
| interest received and other proceeds | 3,107,529 | 9,173,415 |

"Interest received and other proceeds" result from:

|  | 2013             | 2012             |
|--|------------------|------------------|
| a) inter-bank loans                        | 153,935          | 6,490,283        |
| of which: credit on foreign currencies     | 19               | 125              |
| b) customer loans                          | 501,215          | 183,851          |
| of which: credit on foreign currencies     | 0                | 0                |
| c) government securities and bonds         | 2,452,379        | 2,499,281        |
| of which: securities in foreign currencies | 0                | 0                |
| <b>Total</b>                               | <b>3,107,529</b> | <b>9,173,415</b> |

The overall reduction in the "interest received and other proceeds" item mainly reflects the drop registered in loans to the credit system.

##### 1.2 Interest paid and other costs (detailed breakdown of 2)

|                               | 2013    | 2012      |
|-------------------------------|---------|-----------|
| interest paid and other costs | 375,403 | 1,883,554 |

"Interest paid and other costs" result from:

|   | 2013           | 2012             |
|---|----------------|------------------|
| a) debts with banks   | 159,678        | 1,033,398        |
| of which: debts in foreign currencies                               | 20             | 50               |
| b) debts with customers   | 202,654        | 771,864          |
| of which: debts in foreign currencies                               | 12             | 62               |
| c) debts represented by securities (repurchase agreements)          | 13,071         | 78,292           |
| of which: repurchase agreements on securities in foreign currencies | 0              | 0                |
| <b>Total</b>  | <b>375,403</b> | <b>1,883,554</b> |

The drop in interest paid mainly reflects the reduction in the level of interest rates.

## Section 2 – Commissions

### 2.1 Commissions received (detailed breakdown of 4)

|                      | 2013      | 2012      |
|----------------------|-----------|-----------|
| commissions received | 2,838,070 | 3,832,556 |

"Commissions received" were registered on:

|  | 2013             | 2012             |
|--|------------------|------------------|
| a) management, brokerage and consultancy services: | 16,755           | 248              |
| 1) securities negotiation                          | 16,755           | 248              |
| 2) financial instruments custody and management    | 0                | 0                |
| b) collection and payment services                 | 2,813,780        | 3,823,004        |
| c) other services                                  | 7,535            | 9,304            |
| <b>Total</b>                                       | <b>2,838,070</b> | <b>3,832,556</b> |

The "collection and payment services" item includes the proceeds related to the provision of services to the wider Public Administration which, for 2013, based on the three-year agreement for the 2013-2015 period, amounted to 2,800,000 euro.

### 2.2 Commissions paid (detailed breakdown of 5)

|                  | 2013   | 2012   |
|------------------|--------|--------|
| commissions paid | 58,787 | 50,369 |

"Commissions paid" result from:

|   | 2013          | 2012          |
|---|---------------|---------------|
| a) credit derivatives                           | 0             | 0             |
| b) management and brokerage services:           | 38,600        | 22,760        |
| 1) securities negotiation                       | 0             | 0             |
| 2) financial instruments custody and management | 38,600        | 22,760        |
| c) collection and payment services              | 3,383         | 3,281         |
| d) other services                               | 16,804        | 24,328        |
| <b>Total</b>                                    | <b>58,787</b> | <b>50,369</b> |

## Section 3 – Profits and Losses from Financial Operations

### 3.1 Profits and losses from financial operations (detailed breakdown of 6)

|                                   | 2013      | 2012      |
|-----------------------------------|-----------|-----------|
| profits from financial operations | 4,010,164 | 6,018,541 |

The movements registered in the financial year 2013 may be summarised as follows:

|                          | Securities<br>transactions<br>2013 | Foreign currency<br>transactions<br>2013 | Totals<br>2013   |
|--------------------------|------------------------------------|--|------------------|
| A.1 revaluations         | 94,622                             | 0  | 94,622           |
| A.2 devaluations         | -818,981                           | 0  | -818,981         |
| B. other profits/losses  | 4,749,046                          | -14,523                                  | 4,734,523        |
| <b>Total</b>             | <b>4,024,687</b>                   | <b>-14,523</b>                           | <b>4,010,164</b> |
| 1. government securities | 0                                  | 0  | 0                |
| 2. other debt securities | 4,024,687                          | 0  | 4,024,687        |
| 3. capital securities    | 0                                  | 0  | 0                |
| 4. foreign currency      | 0                                  | -14,523                                  | -14,523          |

**Item A.1: revaluations**

represents the value of the capital gains existing on the securities portfolio as at 31 December 2013, including those accrued on the Swift share for 1,377 euro.

**Item A.2: devaluations**

represents the value of the capital losses existing on the securities portfolio as at 31 December 2013

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

the item refers to profits and losses resulting from securities negotiation, including those occurring at the moment of reimbursement at maturity.

**Section 4 – Administrative Costs****4.1 Administrative costs (detailed breakdown of 9)**

|                      | 2013       | 2012       |
|----------------------|------------|------------|
| administrative costs | 10,728,201 | 10,961,622 |

The "administrative costs" item is comprised as follows:

|   | 2013             | 2012             |
|---|------------------|------------------|
| <b>a) labour costs</b>  | <b>7,324,651</b> | <b>7,356,034</b> |
| - wages and salaries  | 4,708,733        | 4,676,187        |
| - pension contributions   | 1,375,689        | 1,335,744        |
| - staff retirement allowances                                       | 614,456          | 594,443          |
| - other labour costs  | 625,773          | 749,660          |
| <b>b) other administrative costs</b>                                | <b>3,403,550</b> | <b>3,605,588</b> |
| - graphic art work and advertising                                  | 6,398            | 11,371           |
| - insurance   | 227,272          | 268,403          |
| - miscellaneous utilities and clearing of premises                  | 134,674          | 145,251          |
| - forms, stationary, newspapers and publications                    | 49,190           | 55,203           |
| - postal, telephone and telex services                              | 204,245          | 227,434          |
| - consumables and spare parts                                       | 10,096           | 13,498           |
| - retribution for Governing Council and Board of Statutory Auditors | 392,320          | 396,090          |
| - professional consultancy fees                                     | 514,433          | 654,323          |

|   | 2013              | 2012              |
|---|-------------------|-------------------|
| - reimbursement of personnel/consultant travel cost           | 46,592            | 57,187            |
| - rentals, technical assistance, repairs and various services | 1,313,512         | 1,366,292         |
| - association memberships and similar fees                    | 25,907            | 11,191            |
| - rents paid  | 95,292            | 112,170           |
| - costs for extraordinary proceedings on supervised entities  | 97,000            | 0                 |
| - import taxes  | 1,889             | 2,879             |
| - miscellaneous and varied expenses                           | 284,730           | 284,296           |
| <b>Total</b>  | <b>10,728,201</b> | <b>10,961,622</b> |

The "other labour costs" item refers to the expenses incurred for training and refresher courses, performance bonus, holidays accrued but not taken as at 31 December 2013, with pension contributions costs and retirement allowances.

The "insurance" item includes also the premiums related to the directors' and officers' liability policies (D&O policy), general banking risk policy (B.B.B.) and the policy for the liability of the employees (professional liability policy).

Administrative costs include the costs incurred for the Financial Intelligence Agency, including those related to the employees.

For the details of the data related to the staff of the Central Bank, reference is made to the human resources statement (annex 1).

## Section 5 – Adjustments, Recoveries and Provisions

### 5.1 Value adjustments on intangible and tangible fixed assets (detailed breakdown of 10)

|   | 2013    | 2012    |
|---|---------|---------|
| value adjustments on intangible and tangible fixed assets | 535,815 | 503,220 |

The "value adjustments on intangible and tangible fixed assets" item reflects depreciations and is comprised as follows:

|  | 2013           | 2012           |
|--|----------------|----------------|
| <b>tangible fixed assets</b>   | <b>384,150</b> | <b>392,846</b> |
| - real property  | 252,194        | 252,194        |
| - furniture, machines and systems, miscellaneous equipment, vehicles | 131,956        | 140,652        |
| <b>intangible fixed assets</b>                                       | <b>151,665</b> | <b>110,374</b> |
| - software   | 151,453        | 109,835        |
| - multi-year costs on third party assets                             | 212            | 539            |
| <b>Total</b>   | <b>535,815</b> | <b>503,220</b> |

**5.2 Provisions for financial risks and costs (detailed breakdown of 11)**

|  | 2013    | 2012      |
|--|---------|-----------|
| provisions for financial risks and costs | 100,000 | 1,100,000 |

This is the provision described as regards to the item 7c of liabilities.

**5.3 Value adjustments on credits and provisions for guarantees and commitments (detailed breakdown of 12)**

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

**5.4 Value adjustments on credits and provisions for guarantees and commitments (detailed breakdown of 13)**

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

**5.5 Provisions to credit risks funds (detailed breakdown of 14)**

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

**5.6 Value adjustments on financial fixed assets (detailed breakdown of 15)**

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

**5.7 Value recoveries on financial fixed assets (detailed breakdown of 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 (detailed breakdown of 3)**

|                              | 2013 | 2012   |
|------------------------------|------|--------|
| dividends and other proceeds | 0    | 48,910 |

No dividend payments were registered in 2013 since their underlying holding has been transferred.

**6.2 Other operating proceeds (detailed breakdown of 7)**

|                          | 2013      | 2012      |
|--------------------------|-----------|-----------|
| other operating proceeds | 2,232,471 | 1,864,623 |





The "other operating proceeds" item is comprised as follows:

|   | 2013             | 2012             |
|---|------------------|------------------|
| - rents received  | 2,500            | 3,000            |
| - personnel expenses recovered                                  | 19,358           | 21,406           |
| - miscellaneous reimbursements                                  | 258,750          | 281,900          |
| - recovery of sums levied from supervised parties               | 1,900,000        | 1,500,000        |
| - credit notes, allowances and positive rounding-off of figures | 102              | 18,828           |
| - proceeds from Overdue Tax Collection Services                 | 51,761           | 39,489           |
| <b>Total</b>  | <b>2,232,471</b> | <b>1,864,623</b> |

Besides the usual recovery of bank commission expenses the item "miscellaneous reimbursements" also includes the recovery of costs associated with procurement services for banknotes and coins.

The "recovery of sums levied from supervised parties" item refers to the portion of the total costs resulting from the Supervision service, charged to the supervised entities for the financial year 2013; the Bank, in order not to burden the financial system, bears, in fact, part of these costs. It should be noted that the continuation of this system in the future is conditioned upon the performance of the other items of the profit and loss account.

"Proceeds from Overdue Tax Collection Services" item refers to the revenue deriving from executive actions and the interest paid on delayed payments.

### 6.3 Other operating costs (detailed breakdown of 8)

|                       | 2013    | 2012    |
|-----------------------|---------|---------|
| other operating costs | 192,578 | 107,466 |

The "other operating costs" item mainly refers to part of the costs incurred for the centralised management of cash (these costs are recovered - see "miscellaneous reimbursements", item 7 "Other operating proceeds"), and to bank costs and rounding of liabilities.

### 6.4 Extraordinary proceeds (detailed breakdown of 18)

|  | 2013      | 2012     |
|--|-----------|----------|
| extraordinary proceeds                             | 1,116,597 | 63,845   |
| <i>of which: due to rounding off in euro units</i> | <i>0</i>  | <i>0</i> |

The "extraordinary proceeds" item is comprised of contingent assets for 700,000 euro resulting from the reduction of the fund referred to in item 7c of liabilities, from the capital gains generated by the sale of the holding (S.p.A. ISIS Informatica e Servizi Interbancari Sammarinesi) for 389,345 euro and from other windfall proceeds.

**6.5 Extraordinary costs (detailed breakdown of 19)**

|  | 2013     | 2012     |
|--|----------|----------|
| extraordinary costs                                | 20,157   | 10,997   |
| <i>of which: due to rounding off in euro units</i> | <i>0</i> | <i>1</i> |

The "extraordinary costs" item is comprised of contingent liabilities for 7,000 euro resulting from a credit no longer admissible for collection and of other windfall costs mainly reflecting costs related to the previous financial year.

**Section 7 – Other Profit and Loss Account Information****7.1 Territorial distribution of proceeds**

Central Bank Headquarters and its agency are present in the Republic of San Marino alone; therefore the Territorial Distribution of Proceeds is not a pertinent item.



## Appendix to the Notes



## Annex 1 - Human Resources Schedule

## Dependent Employees: SHOWN ACCORDING TO ORGANISATIONAL HIERARCHY

|                              | 2013 <sup>(B)</sup> | 2012 <sup>(B)</sup> | 2011 <sup>(B)</sup> | 2010 <sup>(B)</sup> | 2009 <sup>(A)</sup> |
|------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| SENIOR OFFICERS              | 1.05%               | 1.05%               | 1.09%               | 1.08%               | 0.00%               |
| OFFICERS                     | 15.79%              | 15.79%              | 16.30%              | 16.13%              | 19.05%              |
| FRONT OFFICE MANAGERS/CLERKS | 80.00%              | 80.00%              | 77.18%              | 77.42%              | 77.38%              |
| SUPPORT STAFF                | 3.16%               | 3.16%               | 5.43%               | 5.38%               | 3.57%               |
|                              | 100.00%             | 100.00%             | 100.00%             | 100.00%             | 100.00%             |

## Dependent Employees: VARIATIONS

|  | 2013 <sup>(B)</sup> | 2012 <sup>(B)</sup> | 2011 <sup>(B)</sup> | 2010 <sup>(B)</sup> | 2009 <sup>(A)</sup> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>TOTAL EMPLOYEES</b>                       |                     |                     |                     |                     |                     |
| at the start of the year:                    | 95                  | 92                  | 93                  | 84                  | 70                  |
| of whom: in Supervision Department           | 26                  | 28                  | 28                  | 25                  | 22                  |
| of whom FIA                                  | 14                  | 13                  | 12                  | 10                  | 7                   |
| - HIRINGS                                    | 2                   | 4                   | 6                   | 11                  | 17                  |
| of whom: in Supervision Department           | 0                   | 1                   | 2                   | 4                   | 5                   |
| of whom FIA                                  | 0                   | 2                   | 1                   | 1                   | 3                   |
| - TERMINATIONS                               | 2                   | 1                   | 7                   | 2                   | 3                   |
| of whom: in Supervision Department           | 0                   | 0                   | 2                   | 2                   | 2                   |
| of whom FIA                                  | 0                   | 1                   | 0                   | 0                   | 0                   |
| <b>TOTAL EMPLOYEES</b>                       |                     |                     |                     |                     |                     |
| at the end of the year:                      | 95                  | 95                  | 92                  | 93                  | 84                  |
| of whom: in Supervision Department           | 26                  | 26                  | 27                  | 28                  | 25                  |
| of whom FIA                                  | 14                  | 14                  | 13                  | 12                  | 10                  |
| of whom: having fixed-term contracts         | 2                   | 2                   | 4                   | 4                   | 4                   |
| <b>ANNUAL VARIATION</b>                      | <b>0.00%</b>        | <b>3.26%</b>        | <b>-1.08%</b>       | <b>10.71%</b>       | <b>20.00%</b>       |
| of whom: in Supervision Department           | 0.00%               | -7.14%              | -3.57%              | 12.00%              | 13.64%              |
| of whom FIA                                  | 0.00%               | 7.69%               | 8.33%               | 20.00%              | 42.86%              |
| <b>REAL AVERAGE RESOURCES <sup>(C)</sup></b> | <b>89.60</b>        | <b>87.18</b>        | <b>84.25</b>        | <b>82.81</b>        | <b>70.35</b>        |

(A) Does not include the Director General and the External Inspector among the dependent employees.

(B) Includes the Director General among the dependent employees. Does not include the External Inspector among dependent employees.

(C) Calculated from the start of the year. Includes the Director General and the External Inspector.

Takes into account hiring and resignation dates, long-term absences (leaves, transfers, maternity leave) as well as part-time employment. Averages: end-of-month figures.

## Annex 2 - Net Equity Changes Schedule

### Annual variations in net equity

|                                      | ENDOWMENT<br>FUND | ORDINARY<br>RESERVE<br>FUND | EXTRAORDINARY<br>RESERVE<br>FUND | OTHER<br>RESERVES | FUND FOR<br>GENERAL<br>BANKING RISKS | NET PROFIT<br>TO BE<br>ALLOCATED | TOTAL EQUITY<br>FUNDS |
|--------------------------------------|-------------------|-----------------------------|----------------------------------|-------------------|--------------------------------------|----------------------------------|-----------------------|
| <b>Balances as at<br/>31/12/2012</b> | <b>12,911,425</b> | <b>5,588,781</b>            | <b>8,652,646</b>                 | <b>374,882</b>    | <b>50,825,921</b>                    | <b>2,784,662</b>                 | <b>81,138,317</b>     |
| 2012 profit provisions:              |                   |                             |                                  |                   |                                      |                                  |                       |
| - to ordinary reserves               |                   | 1,113,865                   |                                  |                   |                                      | -1,113,865                       | 0                     |
| - to extraordinary<br>reserves       |                   |                             | 974,631                          |                   |                                      | -974,631                         | 0                     |
| - to other reserves:                 |                   |                             |                                  |                   |                                      |                                  |                       |
| - unavailable reserves               |                   |                             |                                  |                   |                                      |                                  |                       |
| - to shareholders                    |                   |                             |                                  |                   |                                      | -696,166                         | -696,166              |
| 2013 provisions                      |                   |                             |                                  |                   | 1,000,000                            |                                  | 1,000,000             |
| use in financial year<br>2013        |                   |                             |                                  | -374,882          |                                      |                                  | -374,882              |
| 2013 net profit to be<br>allocated   |                   |                             |                                  |                   |                                      | 293,890                          | 293,890               |
| <b>Balances as at<br/>31/12/2013</b> | <b>12,911,425</b> | <b>6,702,646</b>            | <b>9,627,277</b>                 | <b>0</b>          | <b>51,825,921</b>                    | <b>293,890</b>                   | <b>81,361,159</b>     |



### Annex 3 – 2013 Statement of Financial Conditions

| Generated and collected funds                                       | 2013               | 2012               |
|---|--------------------|--------------------|
| <b>Funds generated from operations</b>                              |                    |                    |
| Net profit  | 293,890            | 2,784,662          |
| Provisions for financial risks and costs                            | 100,000            | 1,100,000          |
| Provision to the fund for general banking risks                     | 1,000,000          | 3,600,000          |
| Value adjustments on fixed assets                                   | 535,815            | 503,220            |
|   | <b>1,929,705</b>   | <b>7,987,882</b>   |
| <b>Increase in funds collected:</b>                                 |                    |                    |
| Other liabilities ( <i>of which: from rounding off</i> )            | 1,175,785 (0)      | 4,863,659 (0)      |
| Debts with banks  | 92,442,993         | 0                  |
| Debts with customers  | 4,161,228          | 0                  |
| Debts represented by securities (repos and certificates of deposit) | 0                  | 11,188,119         |
| Provision for staff retirement allowances                           | 612,303            | 592,466            |
| Other variations  | 0                  | 0                  |
| Accrued expenses and deferred revenues                              | 0                  | 0                  |
|   | <b>98,392,309</b>  | <b>16,644,244</b>  |
| <b>Decrease in funds used</b>                                       |                    |                    |
| Other assets  | 0                  | 0                  |
| Shares, quotas and other capital securities                         | 0                  | 0                  |
| Cash and available funds  | 317,814            | 5,003,833          |
| Intangible fixed assets   | 0                  | 0                  |
| Tangible fixed assets   | 0                  | 0                  |
| Accrued revenues and deferred expenses                              | 66,332             | 526,642            |
| Inter-bank loans  | 104,995,581        | 24,083,160         |
| Bonds and other debt securities                                     | 0                  | 90,195,036         |
| Customer loans  | 0                  | 0                  |
| Holdings  | 445,231            | 0                  |
|   | <b>105,824,958</b> | <b>119,808,671</b> |
| <b>Total generated and collected funds</b>                          | <b>206,146,972</b> | <b>144,440,798</b> |



### Annex 3 – 2013 Statement of Financial Conditions

| Funds used and spent  | 2013               | 2012               |
|---|--------------------|--------------------|
| <b>Value recoveries and use of funds generated from operations:</b> |                    |                    |
| Value recoveries (on "other funds")                                 | 700,000            | 0                  |
| Utilisation of other funds  | 0                  | 10,809             |
| Dividends paid out  | 696,166            | 776,619            |
| Other reserves (unavailable reserves)                               | 374,882            | -18,115            |
|   | <b>1,771,048</b>   | <b>769,313</b>     |
| <b>Increase in funds spent:</b>                                     |                    |                    |
| Other assets ( <i>of which: from rounding off</i> )                 | 4,453,636 (0)      | 348,849 (1)        |
| Other variations  | 0                  | 0                  |
| Cash and available funds  | 0                  | 0                  |
| Inter-bank loans  | 0                  | 0                  |
| Customer loans  | 27,129,132         | 27,580,116         |
| Intangible fixed assets   | 208,240            | 107,421            |
| Tangible fixed assets   | 52,496             | 61,612             |
| Shares, quotas and other capital securities                         | 1,377              | 0                  |
| Bonds and other debt securities                                     | 158,958,431        | 0                  |
| Holdings  | 0                  | 18,115             |
| Accrued revenues and deferred expenses                              | 0                  | 0                  |
|   | <b>190,803,312</b> | <b>28,116,115</b>  |
| <b>Decrease in funds collected:</b>                                 |                    |                    |
| Other liabilities   | 0                  | 0                  |
| Debts with banks  | 0                  | 25,043,645         |
| Debts with customers  | 0                  | 89,284,976         |
| Use of staff retirement allowances                                  | 592,466            | 560,124            |
| Debts represented by securities                                     | 12,887,997         | 0                  |
| Accrued expenses and deferred revenues                              | 92,149             | 666,625            |
|   | <b>13,572,612</b>  | <b>115,555,370</b> |
| <b>Total funds used and spent</b>                                   | <b>206,146,972</b> | <b>144,440,798</b> |







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## Board of Statutory Auditors Report on the Balance Sheets closed on 31 December 2013





**CENTRAL BANK  
OF THE REPUBLIC OF SAN MARINO  
Publicly and privately owned entity**

Headquarters: San Marino – via del Voltone, 120  
Endowment Fund: Euro 12,911,425.00 fully paid up  
Registered in Rolls of Corporations as number 180  
Economic Operator Code SM04262

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**BOARD OF STATUTORY AUDITORS REPORT  
ON THE BALANCE SHEETS CLOSED ON 31/12/2013**

\*\*\*\*\*

Dear Shareholders,

the Financial Statements closed on 31st December 2013, 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 on companies and on banking, financial and insurance services; Law 47 dated 23/02/2006 – the Companies Law); they are composed of the Balance Sheets, the Profit and Loss Account and the Notes thereto, as well as the Governing Council's Report on Management.

The Balance Sheets, the Notes and the Governing Council's Report were put at the disposal of the Board of Statutory Auditors on 31st March 2014. The Financial Statements were approved by the Governing Council on 26th March 2014, and in such date the Board of Statutory Auditors waived the deadline provided for in art. 83, paragraph 1 of the Law no. 47 of 23/02/2006 (Companies Law).

The Notes to the Financial Statements contain a detailed description of the process by which the net profits amounting to **€ 293,890**, was determined, besides illustrating 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. Alternatively the sum of the rounded-off figures of the sub-items was used. Any off-balance sheet differences generated in such accounting practice are included within the Financial Statements amongst the “Other Assets/Liabilities” and the “Extraordinary Proceeds/Costs” entry in the Profit and Loss Account; this is per the general criteria for drawing up bank financial statements:

|                |       |             |
|----------------|-------|-------------|
| LIABILITIES    | EURO  | 415,361,476 |
| ENDOWMENT FUND | EURO  | 12,911,425  |
| RESERVES       | EURO  | 16,329,923  |
| PROFIT         | EURO  | 293,890     |
| -----          | ----- | -----       |
| ASSETS         | EURO  | 444,896,714 |

*Guarantees and Commitments:*

|                   |      |           |
|-------------------|------|-----------|
| GUARANTEES ISSUED | EURO | 8,908,453 |
| COMMITMENTS       | EURO | 1,884,422 |

*Suspense Accounts:*

|                                  |      |             |
|----------------------------------|------|-------------|
| ASSET MANAGEMENT                 | EURO | 0           |
| DEPOSITED THIRD-PARTY SECURITIES | EURO | 105,720,725 |

|   |      |             |
|---|------|-------------|
| 3rd PARTY SECURITIES DEP. W/3rd PARTIES | EURO | 96,924,909  |
| OWNED SECURITIES DEP. W/3rd PARTIES     | EURO | 265,621,879 |
| -----                                   |      |             |
| TOTAL SUSPENSE ACCOUNTS                 | EURO | 468,267,513 |

*The outcome of the Balance Sheets is confirmed by the Reclassified Profit and Loss Account, as follows:*

|                                    |             |                  |
|------------------------------------|-------------|------------------|
| INTEREST RECEIVED                  | EURO        | 655,150          |
| INTEREST ON SECURITIES             | EURO        | 2,452,379        |
| DIVIDENDS AND OTHER PROCEEDS       | EURO        | 0                |
| INTEREST PAID                      | EURO -      | 375,403          |
| -----                              |             |                  |
| <b>MONEY MANAGEMENT MARGIN</b>     | <b>EURO</b> | <b>2,732,126</b> |
| -----                              |             |                  |
| PROCEEDS FROM FINANCIAL OPERATIONS | EURO        | 4,829,145        |
| FINANCIAL OPERATION COSTS          | EURO -      | 818,981          |
| -----                              |             |                  |
| <b>FINANCIAL MANAGEMENT MARGIN</b> | <b>EURO</b> | <b>6,742,290</b> |
| -----                              |             |                  |
| OTHER OPERATING PROCEEDS           | EURO        | 3,141,386        |
| OTHER OPERATING COSTS              | EURO -      | 159,288          |
| OTHER PROCEEDS                     | EURO        | 1,909,798        |
| LABOUR COSTS                       | EURO -      | 7,305,294        |
| DEPRECIATION AND PROVISION COSTS   | EURO -      | 535,816          |
| OTHER COSTS                        | EURO -      | 3,495,626        |
| -----                              |             |                  |
| <b>ORDINARY OPERATING PROCEEDS</b> | <b>EURO</b> | <b>297,450</b>   |
| -----                              |             |                  |
| EXTRAORDINARY OPERATING PROCEEDS   | EURO        | 394,673          |
| EXTRAORDINARY OPERATING COSTS      | EURO        | 0                |
| WINDFALL PROCEEDS                  | EURO        | 721,924          |

|                                      |                       |
|--------------------------------------|-----------------------|
| WINDFALL COSTS                       | EURO - 20,157         |
|                                      | -----                 |
| <b>PRE-PROVISION PROFITS</b>         | <b>EURO 1,393,890</b> |
|                                      | -----                 |
| PROVISION FOR RISKS AND COSTS        | EURO - 100,000        |
| PROVISION TO FUND GEN. BANKING RISKS | EURO - 1,000,000      |
| USE OF MISCELLANEOUS FUNDS           | EURO 0                |
|                                      | -----                 |
| <b>PRE-TAX PROFITS</b>               | <b>EURO 293,890</b>   |
|                                      | -----                 |
| INCOME TAXES                         | EURO 0                |
|                                      | -----                 |
| <b>NET PROFIT</b>                    | <b>EURO 293,890</b>   |

Pursuant to Art. 24 of Law 96 dated 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 31/12/13 the Fund for General Banking Risks, following the Financial Statements, amounted to € 51,825,921. Compared to the preceding Financial Statements the aforesaid increased by € 1,000,000 - the value of which equals 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 equity-holding institutions therein". In this specific instance it is proposed that the Shareholders Assembly allocate 40% of profits to the Ordinary Reserve Fund and the remaining 60% to equity-holding institutions.

## 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 2nd April 2014, and which – in its conclusion – expresses the following opinion: "the statutory financial statements comply with the regulations governing financial statements; accordingly, they represent clearly and give a true and fair view of the financial position and the results of its operations for the year then ended".

## SUPERVISORY ACTIVITIES

- ✓ The Board of Statutory Auditors carried out its periodic checks during the 2013 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 members of the Board of Statutory Auditors attended the Governing Council meetings, in accordance with the statutory and legislative regulations that govern the running of the Bank, and found that no irregular actions were deliberated nor were the law or Bank Statutes violated. Finally, none of the actions at said meetings were contrary to the decisions taken during the Shareholders' Assembly;
- ✓ The Board of Statutory Auditors was kept informed by the Governing Council regarding the general proceeding 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 Bank 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 data in the two documents may therefore be accurately compared, except for the valuation of the data included in the suspense accounts, which is different from that of the previous financial year.

Given the facts outlined above, and keeping in mind that no irregular facts have emerged nor contrary reservations been expressed, the Board of Statutory Auditors declares its 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 clearly 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 2013 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 supervisory checks.

San Marino, 12th April 2014

THE BOARD OF STATUTORY AUDITORS

Dott. Irene Lonfernini

Rag. Sandy Stefanelli

Dott. Luca Marcucci



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## Independent Auditor's Report on the Balance Sheets closed on 31 December 2013





**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

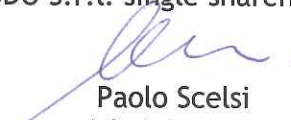
1. We have audited the statutory financial statements of Banca Centrale della Repubblica di San Marino as of and for the year ended December 31, 2013. The responsibility of these financial statements is up to the Administrators of Banca Centrale della Repubblica di San Marino. Our responsibility is to 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 April 26, 2013.

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, March 27, 2014

BDO S.r.l. single shareholder



Paolo Scelsi  
Administrator



BANCA  
CENTRALE



DELLA REPUBBLICA  
DI SAN MARINO  
[www.bcsmsm](http://www.bcsmsm)