

Annual Report

2015



Annual Report 2015



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 12,911,425.00 Euro fully paid up

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

tel. 0549 882325 fax 0549 882328

country code (+) 378 swift code: icsmsmsm

www.bcsmsm



TABLE OF CONTENTS

GOVERNING BODIES OF THE CENTRAL BANK OF THE REPUBLIC OF SAN MARINO^I	5
GOVERNING COUNCIL REPORT ON 2015 MANAGEMENT	7
IMPORTANT EVENTS WHICH OCCURRED AFTER THE CLOSURE OF THE FINANCIAL YEAR	11
2015 FINANCIAL STATEMENTS	14
Balance Sheet Assets	16
Balance Sheet Liabilities	18
Guarantees and Commitments	20
Profit and Loss Account	21
Reclassified Profit and Loss Account	23
NOTES TO THE FINANCIAL STATEMENTS	26
Part A - Valuation Criteria	29
Part B - Information on the Balance Sheet	31
Part C - Information on the Profit and Loss Account	56
Part D - Other Information	68
BOARD OF STATUTORY AUDITORS REPORT ON THE FINANCIAL STATEMENTS CLOSED ON 31 DECEMBER 2015	71
INDEPENDENT AUDITING COMPANY'S REPORT ON THE FINANCIAL STATEMENTS CLOSED ON 31 DECEMBER 2015	78





Governing Bodies of the Central Bank of the Republic of San Marino^I

Governing Council

Stefano Bizzocchi	Vice Chairman
Silvia Cecchetti	Member
Giovanni Luca Ghiotti	Member
Francesco Mancini	Member
Aldo Simoncini	Member

Board of Statutory Auditors

Fabio Rossi	Chairman
Luca Marcucci	Statutory Auditor
Sandy Concetta Stefanelli	Statutory Auditor

Directorate General

Daniele Bernardi	Deputy Director General
------------------	-------------------------

Supervision Committee

Daniele Bernardi	Chairman
Giuliano Battistini	Inspector
Patrizio Ettore Cherubini	Inspector
Fabio Mazza	Inspector

I: as at 31 December 2015





Governing Council Report on 2015 Management





Dear Shareholders,

the main data and economic-equity indicators pertaining to 2015 management are summarized in the table below.

	2015	2014	Variations	
			Absolute	%
Balance Sheet Totals	384,671,925	366,964,480	17,707,445	4.83%
Inter-bank loans	57,616,440	38,789,632	18,826,808	48.54%
Customer loans	56,018,721	61,866,262	-5,847,541	-9.45%
Bonds and other debt financial instruments	253,592,864	247,636,764	5,956,100	2.41%
Shares, quotas and other capital financial instruments	3,630	3,430	200	5.83%
Holdings	0	0	0	0%
Debts with banks	203,748,165	142,869,955	60,878,210	42.61%
Debts with customers	95,191,725	132,763,863	-37,572,138	-28.30%
Debts represented by financial instruments	0	0	0	0%
Net Equity ^I	77,812,157	81,234,968	-3,422,811	-4.21%
Money management margin	1,988,510	1,861,790	126,720	6.81%
Profits and losses from financial operations	559,201	3,427,925	-2,868,724	-83.69%
Financial management margin	2,547,711	5,289,715	-2,742,004	-51.84%
Gross contribution margin	5,265,988	8,015,845	-2,749,857	-34.31%
Gross operating margin	-3,419,685	-334,985	-3,084,700	-920.85%
Net profit/Loss	-3,392,725	50,143	-3,442,868	-6,866.10%

^I: Total includes the Endowment Fund, Reserves, the Fund for General Banking Risks and the Economic Result for the financial year.

From the up-to-date information entered in the table and referring to 31/12/2014 and 31/12/2015, what emerges first is that the balance sheet total assets have increased in the last financial year by 17.7 million Euro, moving from 367 million Euro to 384.7 million Euro.

With reference to the balance sheet elements, we report a significant increase in the collection originating from the banking system (60.88 million Euro, 42.61%) which went from 142.87 million Euro in 2014 to 203.75 million Euro in 2015, and a drop in the collection from clients (-37.57 million Euro, -28.30%), decreased from 132.76 million Euro in 2014, to 95.19 million Euro in 2015.

As regards the loans, in the assets side, it should be noted that both inter-bank loans and the amount of financial instruments included in the portfolio increased by approximately 24.78 million Euro in aggregate, up from 286.43 million Euro to 311.21 million Euro. Specifically, the former increased by 18.827 million Euro (48.5%) whereas the latter increased by 5.956 million Euro (2.41%).

Customer loans, on the other hand, registered a drop of approximately -5.85 million Euro (-9.45%), down from 61.87 million Euro to 56.02 million Euro.

On 31/12/2015 the Net Equity of the Bank, composed of the Endowment Fund, Reserves, the Fund for General Banking Risks and the Economic Result, decreased by -3.42 million Euro that mainly reflects a loss registered in 2015 for 3.39 million Euro.



By contrast, an examination of the income indicators that emerge from the Reclassified Profit and Loss Account Statement, highlights, in the first place, the money management margin, of 1.99 million Euro, showing an increase of 0.13 million Euro (6.81%) compared to 2014.

As regards the value of the components of such margin, there is a decrease in both interest received (-422,147 Euro; -17.15%), collected with reference to inter-bank loans, customers loans and debt securities in the portfolio, and in interest paid (-548,867 Euro; -91.42%) related to debts with banks and customers. The latter registered a drop, in terms of absolute value as well as a percentage, for an amount higher than that of the former, thus determining the increase in the money management margin. These decreases mainly reflect the contraction in interest rates registered in the market in 2015.

Net Profits from Financial Operations, equal to 0.56 million Euro (in 2014 they amounted to 3.43 million Euro) registered, compared to the previous financial year, a considerable drop of -2.87 million Euro. In details, this drop mainly reflects the lower profit from trading registered in the securities segment, for -1.45 million Euro, and the lower difference between capital gains and losses, resulting from the measurement as at 31/12/2015, by -1.43 million Euro (the aforementioned difference is now negative and equal to -1,109,758 Euro).

As a consequence, the financial management margin is lower compared to that of 2014 by 51.84%; in fact, it went down from 5.29 million Euro to 2.55 million Euro.

For the purpose of briefly outlining the market performance in the financial year in question, it is worth noting that the expansive monetary policy of ECB continued also in 2015, especially as regards the "Quantitative Easing" programme; the Governing Council of ECB approved, as early as during the meeting of January, the financial assets purchase programme, including bonds issued by central governments of countries of the Euro area, with purchases totalling 60 billion Euro a month.

Moreover, the application of negative interest rates on deposits, introduced in 2014, continued for the entire 2015, by initially maintaining the interest rate at -0.20% and then, from November, by further lowering it to -0.30%.

These decisions of the ECB prompted lower returns in the first quarter of the year, bringing the interest rate of the German government bonds to 0.07% in mid April, from the 0.50% of the beginning of the year; similarly, also the return on Italian BTPs with a similar maturity registered a significant drop in the interest rate, down from 1.75% at the beginning of the year to 1.13% in mid-March.

In the second quarter of the year, however, the expectations for an increase in interest rates by the Federal Reserve Bank, which intended to end the long period of expansive monetary policy, pushed the returns up again.

As the ten-year US treasury jumped from a return of 1.85% registered in March to 2.50% in June, the return of the German government bond with similar maturity also raised to 1% and the Italian bond to 2.40%.

The second half of the year was characterised by a more relaxed monetary policy by the Federal Reserve Bank, which at the meeting held in June, concerned by the performance of US as well as international economic situation, following the economic slow-down in China and, generally, in the emerging markets, postponed the increase in Fed Funds rates until after further improvements in the labour market and until it was reasonably certain that the inflation rate would reach the target level of 2% in the medium term.

This new approach led to a slight decrease in the interest rate on US government bonds: in October the ten-year treasury interest rate went down to 2% and later increased again to 2.30% at the end of the year, following the December meeting of the Federal Reserve Bank where it was resolved to increase the Fed Funds rate by 25 basis points.



Government bonds of the Euro area also benefited from the period of relative stability in the second half of the year: the German ten-year bond reached again a return of 0.60% and the Italian bond went to 1.60%.

The three-month Euribor, basic parameter for determining the coupons of the floating rate securities included in the bond portfolio of CBSM, registered a steady decrease during the entire 2015, starting from an initial rate of 0.076% down to – 0.114% at the end of the year.

As regards the development of the credit spreads, the ITRX indicator, benchmark for the dynamics of the market value of the creditworthiness of the main European financial and corporate issuers on a five-year maturity, after an initial drop in the first two-month period from 63 to 48 (which corresponds to a drop in the spreads and thus to an increase in bond prices) later registered an increasing trend for the rest of 2015, up to 77 on 31 December, evidencing a widening in the spreads of both corporate and financial issuers and, at the same time, a drop in the prices of many bonds included in the securities portfolio of CBSM.

Going back to the data of the Financial Statements, as regards the gross contribution margin, amounting to 5.27 million Euro, there is, compared to 2014, a decrease of -2.75 million Euro (-34.31%). Said decrease is substantially similar to that recorded in relation to the financial management margin; in fact, as can be inferred from the Reclassified Profit and Loss Account, the other proceeds/operating costs (the main income elements of which are represented by revenues associated with the provision of services rendered to the Broader Public Administration) influenced the components of the economic result for net 2.72 million Euro, as in 2014 (2.73 million Euro).

The ordinary operating margin shows, in 2015, a negative value of -3.42 million Euro, whereas in 2014 this negative value was of only -0.34 million Euro; the gross contribution margin, lower than that of 2014, as mentioned above, was not sufficient to cover the negative balance between general costs and other proceeds, which, moreover, show an absolute value higher than that of the previous financial year (-8.69 million Euro in 2015 and -8.36 million Euro in 2014).

In detail, compared to 2014:

- labour costs (excluding directors and statutory auditors and net of reimbursement costs for staff) increased by 0.3 million Euro (4.10%). Of these costs, miscellaneous personnel costs increased by 27.55%;
- other costs increased by 0.27 million Euro (9.21%);
- other proceeds, including the recovery of sums levied from supervised parties and other types of recoveries of expenses, increased by 0.14 million Euro (5.78%).

The extraordinary operating balance, equal to 26,873 Euro, contributes only marginally to the economic result, which, absent any provisions for financial risks and changes in the Fund for general banking risks, is equal to – 3,392,725 Euro.

IMPORTANT EVENTS WHICH OCCURRED AFTER THE CLOSURE OF THE FINANCIAL YEAR

As regards significant events occurred after the closure of the financial year, it is worth noting that, on 10 March 2016, a writ of summons was served to the Central Bank, concerning civil action no. 97/2016, through which a claim for 2,627,236.26 Euro was filed. To this regard, it was deemed appropriate to report about the initiation of the civil action in question, and not to proceed with the allocations to the relevant provisions because, at present, there are not sufficient information available to support such a decision.

Moreover, with reference to the composition of the Governing Bodies of the Central Bank, it should be noted that the Chairman, Mr Wafik Grais, and the Director General, Mr Savorelli Lorenzo, were appointed after the closure of the financial year.

Dear Shareholders,

the Governing Council, in compliance with the provisions of art. 23 of the Statutes, proposes to cover the loss for the financial year, equal to 3,392,725 Euro, through the ordinary reserve.

The net equity of the Central Bank, following approval of the Financial Statements and of the decision to cover the loss, will be as follows:

	Euro
Endowment Fund	12,911,425
Ordinary Reserve Fund	3,447,534
Extraordinary Reserve Fund	9,627,277
Fund for General Banking Risks	51,825,921
Other Equity Reserves	0
Total Net Equity	77,812,157

Dear Shareholders,

The Governing Council's Report on 2015 Financial Statements, finally approved by the Governing Council on 19 May 2016, was read.

On behalf of the Governing Council – following the reading of the Board of Statutory Auditors Report – your approval is requested of the Financial Statements as a whole, pursuant to the laws currently in force, as well as to the procedures for covering the loss.

Heartfelt thanks are due to the Directorate General and all staff for 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.





2015 Financial Statements







Balance Sheet Assets

	2015		2014	
1. CASH AND CASH EQUIVALENTS		10,256,469		11,518,209
2. INTER-BANK LOANS		57,616,440		38,789,632
a) sight credits	57,616,440		38,789,632	
b) other credits	0		0	
3. CUSTOMER LOANS		56,018,721		61,866,262
a) sight credits	52,785,238		57,822,849	
b) other credits	3,233,483		4,043,413	
4. BONDS AND OTHER DEBT FINANCIAL INSTRUMENTS		253,592,864		247,636,764
a) issued by public institutions	30,737,476		42,261,884	
b) issued by banks	143,972,439		110,985,771	
c) issued by financial institutions (undertakings)	47,248,264		49,854,469	
d) issued by other institutions	31,634,685		44,534,640	
5. SHARES, QUOTAS AND OTHER CAPITAL FINANCIAL INSTRUMENTS		3,630		3,430
6. HOLDINGS		0		0
a) financial undertakings	0		0	
b) non-financial undertakings	0		0	
7. HOLDINGS IN BANKING GROUP BUSINESSES		0		0
a) financial undertakings	0		0	
b) non-financial undertakings	0		0	
8. INTANGIBLE FIXED ASSETS		391,248		225,493
a) financial leasing	0		0	
b) assets pending leasing	0		0	
- of which assets resulting from terminated leasing agreements	0		0	
of which for breach of the lessee	0		0	
c) goodwill	0		0	
d) other intangible fixed assets	391,248		225,493	
9. TANGIBLE FIXED ASSETS		4,077,849		4,322,990
a) financial leasing	0		0	
b) assets pending financial leasing	0		0	
- of which assets resulting from terminated leasing agreements	0		0	
of which for breach of the lessee	0		0	
c) real estate property	3,973,959		4,163,105	
d) other tangible fixed assets	103,890		159,885	



	2015		2014	
10. SUBSCRIBED CAPITAL NOT PAID IN		0		0
11. OWN SHARES OR QUOTAS		0		0
12. OTHER ASSETS		2,659,980		2,552,591
13. ACCRUED REVENUES AND DEFERRED EXPENSES		54,724		49,109
a) accrued revenues	0		0	
b) deferred expenses	54,724		49,109	
TOTAL ASSETS		384,671,925		366,964,480



Balance Sheet Liabilities

	2015		2014	
1. DEBTS WITH BANKS		203,748,165		142,869,955
a) sight debts	86,891,861		35,833,308	
b) term or notice debts	116,856,304		107,036,647	
2. DEBTS WITH CUSTOMERS		95,191,725		132,763,863
a) sight debts	95,191,725		132,763,863	
b) term or notice debts	0		0	
3. DEBTS REPRESENTED BY FINANCIAL INSTRUMENTS		0		0
a) bonds	0		0	
b) certificates of deposit	0		0	
c) other financial instruments	0		0	
4. OTHER LIABILITIES		7,364,706		9,487,526
- of which cheques in circulation and other securities	553,263		1,151,435	
5. ACCRUED EXPENSES AND DEFERRED REVENUES		0		0
a) accrued expenses	0		0	
b) deferred revenues	0		0	
6. STAFF RETIREMENT ALLOWANCES		555,172		604,168
7. FINANCIAL RISKS AND COSTS FUNDS		0		4,000
a) retirement and similar costs funds	0		0	
b) tax fund	0		0	
c) other funds	0		4,000	
8. FUND FOR CREDIT RISKS		0		0
9. FUND FOR GENERAL BANKING RISKS		51,825,921		51,825,921
10. SUBORDINATED LIABILITIES		0		0
11. ENDOWMENT FUND		12,911,425		12,911,425
12. ISSUE PREMIUM		0		0
13. RESERVES		16,467,536		16,447,479
a) ordinary reserves	6,840,259		6,820,202	
b) reserve for own shares	0		0	
b) extraordinary reserves	9,627,277		9,627,277	
c) other reserves	0		0	
14. REVALUATION RESERVES		0		0



	2015		2014	
15. PROFITS (LOSSES) CARRIED FORWARD		0		0
16. PROFIT (LOSS) FOR THE FINANCIAL YEAR		-3,392,725		50,143
TOTAL LIABILITIES		384,671,925		366,964,480



Guarantees and Commitments

	2015	2014
GUARANTEES ISSUED		
of which:	7,307,673	7,234,489
a) acceptances	0	0
b) other guarantees	7,307,673	7,234,489
COMMITMENTS		
of which:	213,382	202,590
a) for certain use	213,382	202,590
- <i>of which:</i> financial instruments	0	0
b) for uncertain use	0	0
- <i>of which:</i> financial instruments	0	0
c) other commitments	0	0
TOTAL	7,521,055	7,437,079



Profit and Loss Account

	2015	2014
1. INTEREST RECEIVED AND OTHER PROCEEDS	2,040,012	2,462,159
a) on inter-bank loans	-30,182	11,503
b) on customer loans	351,244	473,703
c) on debt securities	1,718,950	1,976,953
2. INTEREST PAID AND OTHER COSTS	-51,502	-600,369
a) on debts with banks	-1,382	-178,025
b) on debts with customers	-50,120	-422,344
c) on debts represented by securities	0	0
- of which on subordinated liabilities	0	0
3. DIVIDENDS AND OTHER PROCEEDS	0	0
a) on shares, quotas and other capital securities	0	0
b) on holdings	0	0
c) on holdings in group businesses	0	0
4. COMMISSIONS RECEIVED	2,831,893	2,829,772
5. COMMISSIONS PAID	-146,069	-145,765
6. PROFITS (LOSSES) FROM FINANCIAL OPERATIONS	559,201	3,427,925
7. OTHER OPERATING PROCEEDS	2,635,028	2,530,731
8. OTHER OPERATING COSTS	-103,449	-92,424
9. ADMINISTRATIVE COSTS	-10,773,250	-10,238,286
a) labour costs	-7,880,509	-7,692,697
aa) wages and salaries	-4,860,030	-4,745,955
ab) pension contributions	-1,412,350	-1,387,177
ac) staff retirement allowances	-617,011	-613,672
ad) severance and indemnity-related liabilities	0	0
ae) directors and statutory auditors	-260,292	-333,960
af) other labour costs	-730,826	-611,933
b) other administrative costs	-2,892,741	-2,545,589
10. VALUE ADJUSTMENTS ON INTANGIBLE FIXED ASSETS	-141,972	-144,241
11. VALUE ADJUSTMENTS ON TANGIBLE FIXED ASSETS	-256,089	-292,259
12. PROVISIONS FOR FINANCIAL RISKS AND COSTS	0	0
13. PROVISIONS TO THE CREDIT RISKS FUNDS	0	0
14. VALUE ADJUSTMENTS ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS	-14,781	-79,097
15. VALUE RECOVERIES ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS	1,379	0
16. VALUE ADJUSTMENTS ON FINANCIAL FIXED ASSETS	0	0



	2015	2014
17. VALUE RECOVERIES ON FINANCIAL FIXED ASSETS	0	0
18. PROFIT (LOSS) ON ORDINARY ACTIVITIES	-3,419,599	-341,854
19. EXTRAORDINARY PROCEEDS	47,273	407,598
20. EXTRAORDINARY COSTS	-20,399	-15,601
21. EXTRAORDINARY PROFIT (LOSS)	26,874	391,997
22. INCOME TAX FOR THE FINANCIAL YEAR	0	0
23. VARIATION TO THE FUND FOR GENERAL BANKING RISKS	0	0
24. PROFIT (LOSS) FOR THE FINANCIAL YEAR	-3,392,725	50,143



Reclassified Profit and Loss Account

	2015	2014
1. INTEREST RECEIVED	321,062	485,206
1.1 from customers	351,244	473,703
1.2 from banks	-30,182	11,503
1.2.1 current account and sight deposits	-30,182	10,778
1.2.2 term deposits and repurchase agreements	0	0
1.2.3 other interest	0	725
2. INTEREST ON SECURITIES	1,718,950	1,976,953
3. DIVIDENDS AND OTHER PROCEEDS	0	0
4. INTEREST PAID	-51,502	-600,369
4.1 to customers	-50,120	-422,344
4.1.1 current account and sight deposits	-50,120	-422,344
4.1.2 term deposits and repurchase agreements	0	0
4.2 to banks	-1,382	-178,025
4.3 other assimilated interest and costs	0	0
A. MONEY MANAGEMENT MARGIN	1,988,510	1,861,790
5. PROFITS FROM FINANCIAL OPERATIONS	1,830,307	3,550,434
6. FINANCIAL OPERATION COSTS	-1,271,106	-122,509
B. FINANCIAL MANAGEMENT MARGIN	2,547,711	5,289,715
7. OTHER OPERATING PROCEEDS	2,876,147	2,872,731
7.1 proceeds from securities management	81	174
7.2 proceeds from foreign currency management	0	0
7.3 other proceeds	2,876,066	2,872,557
8. OTHER OPERATING COSTS	-157,870	-146,601
8.1 securities management costs	-41,133	-40,746
8.2 foreign currency management costs	0	0
8.3 other costs	-116,737	-105,855
C. GROSS CONTRIBUTION MARGIN	5,265,988	8,015,845
9. OTHER PROCEEDS	2,588,649	2,447,164
of which: from rounding off in Euro units	1	0
10. LABOUR COSTS	-7,618,091	-7,318,129
10.1 clerical	-3,360,495	-3,248,736
10.2 management and officers	-1,499,535	-1,497,219
10.3 pension contributions	-1,412,350	-1,387,177
10.4 provision to employee retirement fund	-617,011	-613,672
10.5 miscellaneous personnel costs	-730,826	-611,933
(minus personnel expense reimbursements)	2,126	40,608
11. DEPRECIATION AND PROVISIONS COSTS	-398,061	-436,500



	2015	2014
12. OTHER COSTS	-3,244,681	-2,971,138
of which: from rounding off in Euro units	0	1
13. VALUE ADJUSTMENTS ON CREDITS	-14,781	-79,097
14. VALUE RECOVERIES ON CREDITS	1,379	0
D. ORDINARY OPERATING MARGIN	-3,419,598	-341,855
15. EXTRAORDINARY OPERATING PROCEEDS	2	6,870
16. EXTRAORDINARY OPERATING COSTS	-89	0
E. GROSS OPERATING MARGIN	-3,419,685	-334,985
17. WINDFALL PROCEEDS	47,270	400,728
18. WINDFALL COSTS	-20,310	-15,600
F. PRE-PROVISIONS PROFITS	-3,392,725	50,143
19. PROVISIONS FOR FINANCIAL RISKS AND COSTS	0	0
20. PROVISION TO THE FUND FOR GENERAL BANKING RISKS	0	0
21. USE OF MISCELLANEOUS FUNDS	0	0
G. PRE-TAX PROFITS	-3,392,725	50,143
22. INCOME TAXES	0	0
H. NET PROFIT	-3,392,725	50,143





Notes to the Financial Statements



Structure and Contents of the Financial Statements

PART A – VALUATION CRITERIA

Section 1 – Illustration of the Valuation Criteria

Section 2 – Adjustments and Provisions

PART B – INFORMATION ON THE BALANCE SHEET

PART C – INFORMATION ON THE PROFIT AND LOSS ACCOUNT

PART D – OTHER INFORMATION

Structure and Contents of the Financial Statements

The 2015 Financial Statements have been drawn up in accordance with the laws currently in force, in particular according to Law 96 of 29 June 2005 (Statutes of the Central Bank of the Republic of San Marino) and Law 47 of 23 February 2006 (Companies Law) as subsequently amended and supplemented.

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 Balance Sheet and the Profit and Loss Account were drawn up according to the templates defined by CBSM Regulation no. 2008/02, as updated by Regulation 2015/01. Compared to the previous financial year, a general review of the Notes to the Financial Statements was carried out, using the provisions of the aforementioned Regulation as reference, and taking into account also the peculiarities typical of the activity of a Central Bank.

Furthermore, the Statement of Financial Conditions (Part D – Other Information) was attached to the Notes to the Financial Statements.

In order to facilitate the analysis of the data, the figures of the preceding financial year are also included, recalculated, if necessary, for the purpose of ensuring the comparability of the data of the two financial years.

Some of the items in the Notes to the Financial Statements have been represented according to their denomination in “Euro” and “foreign currencies”; all non-Euro currencies have been included in the latter category.

As regards the individual items of the Financial Statements, it should be noted that such items are expressed in units of Euro, 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 generated in such accounting practice are to be considered as off-balance sheet differences and have been 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.

Part A - Valuation Criteria

Section 1 - Illustration of the Valuation Criteria

The 2015 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; this also includes the share of interest accrued and matured on the closing date of the financial year.

- 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 financial year.

- Other credits (contained in "Other Assets"): other credits are shown at their presumed monetary value, usually corresponding to their face value.

An exception is represented by the credits for the recovery of sums levied from supervised parties, which are shown at their presumed monetary value, net of value adjustments, corresponding to the share deemed as not recoverable. The fund for the devaluation of credits was filled in by considering the analytical devaluation deriving from alleged losses on these credits.

- Guarantees and Commitments: the guarantees issued have been entered at the value corresponding to the relative commitment undertaken or guaranteed. The commitments related to delivery of foreign currencies are entered at the price that was contractually agreed upon with the other party.

BONDS AND OTHER DEBT FINANCIAL INSTRUMENTS

The Securities portfolio as at 31/12/2015 is entirely composed of securities held for trading that are valued at the market value published by Invest Banca (provider of investment services) on the last business day of the financial year. An additional internal assessment was carried out on such values, for prudential purposes, based on the prices taken from information providers.

The difference between the book value of the individual security and its market value is recognised in the Profit and Loss Account under item "Profits (losses) from financial operations".

SHARES, QUOTAS AND OTHER CAPITAL FINANCIAL INSTRUMENTS

There is only one single share (Swift SCRL), in relation to which, as there is no market price, reference is made to the value notified by the issuer.

HOLDINGS

There are no holdings as at 31/12/2015.

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 year (30/12/2015).

TANGIBLE FIXED ASSETS

These have been entered at their purchase price, inclusive of any accessory costs. In 2015, no devaluations and/or re-valuations were carried out on their value.

The cost of fixed assets is depreciated, taking into account the useful residual life of the assets, based on the percentages provided for also by current legislation on taxation (Law no. 166 of 16/12/2013 as subsequently amended).

INTANGIBLE FIXED ASSETS

These are shown at their purchase price, including all accessory costs. These are mainly software programmes depreciated based on depreciation plans with a maximum duration of 5 years and depreciation percentages consistent with the fiscal legislation (Law no. 166 of 16/12/2013 as subsequently amended).

They also include current intangible fixed assets and related multi-year costs on third party assets, with reference to which no amortisation has been carried out yet.

Multi-year costs were recognised in the Financial Statements with the specific approval of the Board of Statutory Auditors.

DEBTS

These are shown at their face value, and also include the interest accrued as at the closing date of the financial year.

ACCRUED REVENUES AND DEFERRED EXPENSES

These items include 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 ALLOWANCES

This item illustrates the entire amount of the benefit accrued during the year by 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 Statutes of the Central Bank's set out that profits are exempt from General Income Tax.

FUND FOR GENERAL BANKING RISKS

The 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.

Section 2 – Adjustments and Provisions

No value adjustments or provisions were made exclusively in application of fiscal regulations.

Part B - Information on the Balance Sheet

Assets

1 Cash and cash equivalents (item 1)

Table 1.1: detailed breakdown of item 1 "Cash and cash equivalents"

	31/12/2015	31/12/2014	Variations	
			Amount	%
Cash	10,256,469	11,518,209	-1,261,740	-10.95%
Total	10,256,469	11,518,209	-1,261,740	-10.95%

The vault cash is comprised of Euro-denominated notes and coins for a value of 10,256,295 Euro, including the cash available at the company used to perform the centralised cash management services, and of foreign currencies for an equivalent of Euro 174; it also includes cash funds for 200 Euro created at the Single Court of San Marino for legal notification expenses.

2 Inter-bank loans (item 2)

Table 2.1: detailed breakdown of item 2 "Inter-bank loans"

Category/Amounts	31/12/2015		31/12/2014		Variations	
	In Euro	In foreign currency	In Euro	In foreign currency	Amount	%
A) Sight credits:	57,094,498	521,941	38,588,687	200,945	18,826,808	48.54%
A1. current accounts	57,094,498	430,417	38,588,687	200,945	18,735,283	48.30%
A2. other technical forms	0	91,525	0	0	91,525	100%
B) Other credits	0	0	0	0	0	0
B1. current accounts	0	0	0	0	0	0
B2. term deposits	0	0	0	0	0	0
B3. Repurchase	0	0	0	0	0	0



agreements and repos						
B4. others	0	0	0	0	0	0
Totals	57,094,498	521,942	38,588,687	200,945	18,826,808	48.54%
Overall Total	57,616,440		38,789,632			

Interest accrued and matured as at the end of the financial year on inter-bank loans, amounting to -9,434 Euro, is included in the "Sight credits - current accounts" item.

There are no value adjustments as regards inter-bank loans.

Table 2.2: composition of "Inter-bank loans" based on residual life.

MATURITY	31/12/2015	31/12/2014
Sight credits	57,616,440	38,789,632
From more than 1 day to 3 months	0	0
From 3 to 6 months	0	0
From 6 months to 1 year	0	0
From 1 year to 18 months	0	0
From 18 months to 2 years	0	0
From 2 years to 5 years	0	0
More than 5 years	0	0
Without maturity	0	0
Total	57,616,440	38,789,632

As regards the residual life of inter-bank loans, as shown also in table 2.2, as at 31/12/2015 there are only sight credits, including an overnight deposit opened with Federal Reserve Bank of New York classified as "Sight credits - other technical forms" in table 2.1.

3 Customer loans (item 3)**Table 3.1: detailed breakdown of item 30 "Customer loans".**

Category/Amounts	31/12/2015		31/12/2014		Variations	
	In Euro	In foreign currency	In Euro	In foreign currency	Amount	%
A) On demand/until revoked	52,785,238	0	57,822,849	0	-5,037,611	-8.71%
A1. current accounts	52,785,238	0	57,822,849	0	-5,037,611	-8.71%
A2. others	0	0	0	0	0	0
B) Other credits	3,233,483	0	4,043,413	0	-809,930	-20.03%
B1. current accounts	0	0	0	0	0	0
B2. Repurchase agreements and repos	0	0	0	0	0	0
B3. other loans	3,233,483	0	4,043,413	0	-809,930	-20.03%
Totals	56,018,721	0	61,866,262	0	-5,847,541	-9.45%
Overall Total	56,018,721		61,866,262			

"Customer loans" mainly refer to credit positions towards the Public Administration and, to a minimum extent, to credits to the employees of the Central Bank.

The "interest to be debited to customers", accrued and matured as at the end of the financial year, amounting to 75,291 Euro, is included in the "Sight credits - current accounts" item.

Specifically, the "Sight credits - current accounts" item includes a loan for 60 million Euro disbursed to the Most Excellent Chamber and opened in December 2012, to be repaid starting from 30/11/2014 and expiring on 31/05/2020. On 26 November 2014, the maturity of said loan as at 30/06/2026 was extended, and consequently the repayment instalments were halved to 2.5 million Euro, whereas the first instalment was cashed on 31/12/2014.

As at 31/12/2015, the residual credit is equal to 52.5 million Euro.

"Other credits" relate to the residual credit of a loan granted to the Public Administration (2 million Euro) and to loans disbursed to CBSM employees (mortgage loans for 1.2 million Euro).

In relation to these latter loans, the Bank received mortgage guarantees from its employees amounting to 2,397,275 Euro and sureties amounting to 204,048 Euro, as shown in table 3.2 below. For the loan to the Public Administration, conversely, restrictions were placed on the availability on current account amounting to 2.1 million Euro.

Table 3.2: Secured customer loans.

	31/12/2015	31/12/2014	Variations	
			Amount	%
A) From mortgages:	2,397,275	1,902,275	495,000	26.02%
B) From liens on:	0	0	0	0
1. cash deposits	0	0	0	0
2. securities	0	0	0	0
C) From guarantees of:	204,048	137,188	66,860	48.74%
1. Countries	0	0	0	0
2. other public entities	0	0	0	0
3. banks	0	0	0	0
4. other financial undertakings	0	0	0	0
5. other operators	204,048	137,188	66,860	48.74%
Total	2,601,323	2,039,463	561,860	27.55%

It should be noted that table 3.2 does not include the amount of credits secured by collaterals and personal guarantees but, instead, the value of such existing guarantees is indicated.

These evidences refer to loans granted to employees and secured by guarantees the value of which exceeds that of such credits (1.2 million Euro in 2015 and 954,486 in 2014) and which are sometimes characterised by the presence, at the same time, of collaterals and personal guarantees.

Point 5 "other operators" of letter c), contains the sureties issued by natural persons in favour of these employees.

The aforementioned table, where the amount of credits secured by collaterals and/or personal guarantees should be reported, does not specify the availability restrictions applied on current accounts with reference to the loans disbursed.

There are no value adjustments as regards customer loans.

Table 3.3: composition of "Customers loans" based on the residual life.

MATURITY	31/12/2015	31/12/2014
Sight credits	285,121	322,849
From more than 1 day to 3 months	22,404	18,878
From 3 to 6 months	3,037,731	3,036,322
From 6 months to 1 year	3,059,054	3,054,741
From 1 year to 18 months	3,055,835	3,054,301
From 18 months to 2 years	3,055,706	3,052,917
From 2 years to 5 years	15,244,536	16,233,045
More than 5 years	28,280,484	33,132,494
Without maturity	0	0
Total	56,040,871	61,905,547

It should be noted that the total of customer loans reported in table 3.3 above is higher than the balance sheet total assets since, for the transactions with depreciation plan, reference is made to the individual instalments inclusive of interest.

A floating rate fee is received in relation to these credits. It should be noted that the above-mentioned loan to the Most Excellent Chamber of the residual value of 52.5 million Euro has been indicated, for the purposes of the above-mentioned breakdown, on the basis of the repayment plan (capital) agreed with the counterparty, although contractually it is a loan facility. The above-mentioned breakdown takes into account the new repayment plan agreed on 26 November 2014, which is described above.

Table 3.4: composition of "Customer loans" by business sector.

	31/12/2015	31/12/2014
a) Government and public sector	54,559,284	60,669,357
b) Financial undertakings	0	0
c) Non-financial undertakings	0	0

- industry;	0	0
- construction;	0	0
- services;	0	0
- other;	0	0
d) Households	1,384,146	1,107,852
e) Others	0	0
Total	55,943,430	61,777,209

It should be noted that the total of customer loans reported in table 3.4 above is lower than the balance sheet total assets since it does not take into account "interest to be debited to customers".

4 Bonds and other debt financial instruments; Shares, quotas and other capital financial instruments (items 4 and 5)

Table 4.1: composition of Financial Instruments held for investment and held for trading.

As at 31/12/2015		
Items/Amounts	Held for investment	Held for trading
a) Bonds and other debt financial instruments:	0	253,592,864
- issued by public institutions	0	30,737,476
- issued by banks	0	143,972,439
- issued by financial institutions (undertakings)	0	47,248,264
- issued by other institutions	0	31,634,685
b) Own shares and other capital financial instruments	0	3,630
Total	0	253,596,494

Table 4.2: detailed breakdown of “Financial Instruments held for Trading”.

Items/Amounts	31/12/2015	31/12/2014
	Market values	Market value
1. Debt financial instruments	253,592,864	247,636,764
1.1 Bonds	253,592,864	247,636,764
- listed	0	0
- unlisted	253,592,864	247,636,764
1.2 Other debt financial instruments	0	0
- listed	0	0
- unlisted	0	0
2. Capital financial instruments	3,630	3,430
- listed	0	0
- unlisted	3,630	3,430
Total	253,596,494	247,640,194

The debt financial instruments held in the portfolio are securities that are not listed on a regulated market.

The item “Capital financial instruments - unlisted” is comprised only of the value of one share in the company Swift SCRL, which includes also the capital gains registered as at 31/12/2015 amounting to 200 Euro.

Table 4.3: composition of “Debt financial instruments held for trading” based on the residual life.

Residual duration of bonds	31/12/2015		31/12/2014	
	Fixed rate	Floating rate	Fixed rate	Floating rate
At sight	0	0	0	0
From 1 day to 3 months	6,143,066	11,603,037	0	959,863
From 3 to 6 months	0	5,856,208	0	4,014,226
From 6 months to 1 year	4,536,252	10,010,699	3,026,295	5,007,159
From 1 year to 18	2,019,741	12,876,806	10,044,812	26,502,086

months				
From 18 months to 2 years	4,498,272	28,778,095	0	32,576,023
From 2 years to 5 years	23,235,420	119,970,791	22,455,888	105,997,436
More than 5 years	20,131,854	3,932,623	1,292,093	35,760,883
Without maturity	0	0	0	0
Total	60,564,605	193,028,259	36,819,088	210,817,676

Table 4.4: annual variations in "Financial instruments held for trading".

	31/12/2015	31/12/2014
A) Opening balances	247,640,194	266,058,683
B) Increases:	510,343,134	841,978,926
1. Purchases	507,848,422	838,159,772
- of which: debt financial instruments	507,848,422	838,159,772
- of which: capital financial instruments	0	0
2. Value recoveries and revaluations	0	0
3. Transfer from the investment portfolio	0	0
4. Other variations	2,494,712	3,819,154
C) Decreases:	504,386,834	860,397,415
1. Sales and refunds	502,780,383	859,802,784
- of which: debt financial instruments	502,780,383	859,802,784
- of which: capital financial instruments	0	0
2. Value adjustments and devaluations	1,271,106	122,509



3. Transfer from the investment portfolio	0	0
4. Other variations	335,345	472,122
D) Final balance	253,596,494	247,640,194

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

Item B.1: purchases

It includes:

- issue margins due, on the negotiation date, on non-listed fixed income securities for a total of 530,769 Euro

Item B.4: other variations

It includes:

- profit from securities negotiation totalling 1,803,016 Euro;
- issue margins for 2015 totalling 60,717 Euro on non-listed fixed income securities;
- capital gains on securities totalling 161,349 Euro resulting from the application of the valuation principle shown in Part A;
- accrued revenues as at 31/12/2015 on interest on securities amounting to 469,630 Euro

Item C.1: sales and refunds

It includes:

- issue margins amounting to 528,766 Euro matured on the negotiation/refund date on non-listed fixed income securities

Item C.2: value adjustments

It refers to capital losses calculated in application of the valuation principle shown in Part A

Item C.4: other variations

It includes:

- accrued revenues as at 31/12/2014 on interest on securities amounting to 187,994 Euro;
- losses from securities negotiation totalling 147,351 Euro.

5 Transactions on own shares (item 11)

There are no own shares as at 31/12/2015, nor as at 31/12/2014.

6 Holdings (items 6 and 7)

There are no "Holdings" as at 31/12/2015, nor as at 31/12/2014.

7 Intangible fixed assets (item 8)

Table 7.1: composition of "Intangible fixed assets".

Breakdown by category	31/12/2015	31/12/2014
Software	251,216	225,281
Fixed assets under construction	135,000	0
Other	5,032	212
Total	391,248	225,493

Table 7.2: movements in item 8 "Intangible fixed assets".

Annual variations	31/12/2015	Financial leasing	Assets pending leasing	Start-up costs	Other multi-year costs
A. Opening balances	225,493	0	0	0	225,493
B. Increases	307,727	0	0	0	307,727
B1. Purchases	172,727	0	0	0	172,727
B2. Value recoveries:	0	0	0	0	0
- for creditworthiness	0	0	0	0	0
B3. Revaluations	0	0	0	0	0
B4. Other variations	135,000	0	0	0	135,000
C. Decreases	141,972	0	0	0	141,972
C1. Sales	0	0	0	0	0
C2. Value adjustments:	141,972	0	0	0	141,972
- amortisations	141,972	0	0	0	141,972
- lasting devaluations	0	0	0	0	0



- for creditworthiness	0	0	0	0	0
C3. Other decreases	0	0	0	0	0
D. Final balance	391,248	0	0	0	391,248

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

Item B.1: purchases

It refers to costs incurred for purchasing software programs for 167,695 Euro and multi-year costs on third party assets pending depreciation for 5,032 Euro.

Item B.4: other variations

It refers to advances for fixed assets under construction for 135,000 Euro

Item C.2: value adjustments

It refers to depreciation allowances for the year, calculated according to the direct method

8 Tangible fixed assets (item 9)

Table 8.1: composition of "Tangible fixed assets".

Breakdown by technical forms	31/12/2015	31/12/2014
Financial leasing	0	0
Assets pending financial leasing	0	0
Real estate property	3,973,959	4,163,105
Others	103,890	159,885
Total	4,077,849	4,322,990

Table 8.2: description and movements in item 9 "Tangible fixed assets".

Annual variations	31/12/2015	Financial leasing	Assets pending leasing	Real estate property	Other fixed assets
A. Opening balances	4,322,990	0	0	4,163,105	159,885
B. Increases	12,025	0	0	0	12,025
B1. Purchases	12,025	0	0	0	12,025

B2. Value recoveries:	0	0	0	0	0
- for creditworthiness	0	0	0	0	0
B3. Revaluations	0	0	0	0	0
B4. Other variations	0	0	0	0	0
C. Decreases	257,166	0	0	189,146	68,020
C1. Sales	1,076	0	0	0	1,076
C2. Value adjustments:	256,089	0	0	189,146	66,943
- depreciations	256,089	0	0	189,146.	66,943
- lasting devaluations	0	0	0	0	0
- for creditworthiness	0	0	0	0	0
C3. Other decreases	1	0	0	0	1
D. Final balance	4,077,849	0	0	3,973,959	103,890

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

Item B.1: purchases

This item includes the costs for the purchase of:

- electronic machinery totalling 9,925 Euro;
- systems and fittings totalling 2,100 Euro;

Item C.1: sales

It refers to the residual value to be depreciated of assets sold during 2015

Item C.3: other decreases

It refers to rounding off

9 Other assets items (items 12-13)

Table 9.1: composition of item 12 "Other assets".

Technical type	31/12/2015	31/12/2014
Security margin	0	0



Premiums paid for options	0	0
Other	2,659,980	2,552,591
Total	2,659,980	2,552,591

The "Other" item includes the recoveries of sums levied from supervised parties for 2015, totalling 2.1 million Euro, which the supervised parties are obliged to pay back to the Central Bank by 31 May 2016.

There are also credits for the recovery of sums levied from supervised parties related to the years before 2015, which are still unpaid. These credits, with a face value of 167,821 Euro, were devalued analytically for the amount of the share that was not deemed recoverable and were adjusted accordingly.

Likewise, also the recoveries of the costs related to the financial year 2015, against the debtors of expired, but not collected, loans, were subject to the same devaluation and subsequent adjustments.

Overall, the devaluation is equal to 92,499 Euro, whereas the value adjustments made during the financial year 2015 are equal to 14,781 Euro.

Additionally, it should be noted that the item "Other assets", as at 31/12/2015, includes invoices to be issued related to costs for the financial year 2015 of the project "Central Credit Register" for an aggregate amount of 201,173 Euro. These amounts shall be recovered within the context of the invoicing activities that will be carried out by the Central Bank in 2016, pursuant to Circular no. 2015-02 (contribution to start-up costs for the Central Credit Register by participating intermediaries).

Liabilities

10 Debts with banks (item 1)

Table 10.1: detailed breakdown of item 1 "Debts with banks".

Category/Amounts	31/12/2015		31/12/2014		Variations	
	In Euro	In foreign currency	In Euro	In foreign currency	Amount	%
A) Sight debts:	86,885,214	6,647	35,827,337	5,971	51,058,533	142.49%
A1. current accounts	86,885,214	6,647	35,827,337	5,971	51,058,553	142.49%
A2. demand deposits	0	0	0	0	0	0
A3. others	0	0	0	0	0	0



B) Term or notice debts	116,856,304	0	107,036,647	0	9,819,657	9.17%
B1. current accounts	111,856,304	0	107,036,647	0	4,819,657	4.50%
B2. term deposits	5,000,000	0	0	0	5,000,000	100%
B3. Repurchase agreements and repos	0	0	0	0	0	0
B4. other loans	0	0	0	0	0	0
Totals	203,741,518	6,647	142,863,984	5,971	60,878,210	42.61%
Overall Total	203,748,165		142,869,955			

Table 10.2: composition of "Debts with banks" based on the residual life.

MATURITY	31/12/2015	31/12/2014
Sight debts	86,891,861	35,833,308
From more than 1 day to 3 months	5,000,000	0
From 3 to 6 months	0	0
From 6 months to 1 year	0	0
From 1 year to 18 months	0	0
From 18 months to 2 years	0	0
From 2 years to 5 years	0	0
More than 5 years	0	0
Without maturity	111,856,304	107,036,647
Total	203,748,165	142,869,955

As regards residual life, it should be noted that the debts with banks related to deposits opened for the purposes of the compulsory reserve are included in the category "Without maturity" since the Legal Reserve requirement remains valid in time, even though, depending on the actual period

when such reserve must be maintained, the amounts of the individual deposits are subject to variations. These debts are paid at a floating rate.

11 Debts with customers (item 2)

Table 11.1: detailed breakdown of item 2 "Debts with customers".

Category/Amounts	31/12/2015		31/12/2014		Variations	
	In Euro	In foreign currency	In Euro	In foreign currency	Amount	%
A) Sight debts:	95,174,259	17,466	132,748,210	15,653	-37,572,138	-28.30%
A1. current accounts	95,174,259	17,466	132,748,210	15,653	-37,572,138	-28.30%
A.2 savings deposits	0	0	0	0	0	0
A3. others	0	0	0	0	0	0
B) Term or notice debts:	0	0	0	0	0	0
B1. term current accounts	0	0	0	0	0	0
B.2 term savings deposits	0	0	0	0	0	0
B.3 Repurchase agreements and reverse repos	0	0	0	0	0	0
B4. other funds	0	0	0	0	0	0
Totals	95,174,259	17,466	132,748,210	15,653	-37,572,138	-28.30%
Overall Total	95,191,725		132,763,863			

The "interest paid to customers", accrued and matured as at the end of the financial year, amounting to 20 Euro, is included in the "Sight debts – current accounts" item.

Table 11.2: composition of “Debts with customers” based on the residual life

MATURITY	31/12/2015	31/12/2014
Sight debts	95,191,725	132,763,863
From more than 1 day to 3 months	0	0
From 3 to 6 months	0	0
From 6 months to 1 year	0	0
From 1 year to 18 months	0	0
From 18 months to 2 years	0	0
From 2 years to 5 years	0	0
More than 5 years	0	0
Without maturity	0	0
Total	95,191,725	132,763,863

12 Other liabilities (items 4-5)**Table 12.1: composition of item 4 “Other liabilities”**

Technical type	31/12/2015	31/12/2014
Security margins	0	0
Premiums paid for options	0	0
Other	7,364,706	9,487,526
- of which cheques in circulation and other securities	553,263	1,151,435
Total	7,364,706	9,487,526

“Other liabilities” include, besides cheques in circulation, corresponding to the drawing and receipt cheques issued within the context of the State Treasury Service:

1. the sums available to third parties that refer to Treasury Service receipts that – due to the time required to process them – have yet to be credited to their relative current accounts (about 3.5 million Euro compared to 5 million Euro in 2014);
2. the Overdue Tax Collection entries already collected and pending being paid to the relevant entities amounting to 275,666 Euro and other suspended items relating to the Tax Service amounting to 372,586 Euro (as at 31/12/2014 they were equal to 694,456 Euro and 377,879 Euro respectively);
3. the existing debts related to the labour costs amounting to 1.9 million Euro (as at 31/12/2014 they were equal to 1.8 million Euro approximately), which include compensations, social security and tax costs (including the values for the calculation of residual holidays as at 31/12/2015) and remunerations for directors and statutory auditors.

13 The funds (items 6-7-8)

Table 13.1: movements occurred in item 6 "Staff retirement allowances"

Staff retirement allowances	31/12/2015	31/12/2014
Opening balances	604,168	612,303
Increases	555,172	604,168
- provisions	555,172	604,168
- other variations	0	0
Decreases	604,168	612,303
- withdrawals	604,168	612,303
- other variations	0	0
Closing balance	555,172	604,168

This item reflects the benefit substituting for the retirement allowances accrued, in the financial year, by the employees ("provisions").

The retirement allowances accrued in one financial year are paid to the employees in the following financial year ("withdrawals"), within the deadlines provided for by the labour agreement from time to time in force.

Table 13.2: composition of item 7 "Financial risks and costs funds"

Financial risks and costs funds	31/12/2015	31/12/2014
---------------------------------	------------	------------

Tax fund	0	0
Retirement and similar costs funds	0	0
Other funds:	0	4,000
extraordinary proceedings fund	0	4,000
Total	0	4,000

Table 13.3: movements in sub-item c) "Other funds"

Other funds	31/12/2015	31/12/2014
Opening balances	4,000	500,000
Increases	0	0
- provisions	0	0
- other variations	0	0
Decreases	4,000	496,000
- withdrawals	4,000	113,715
- other variations	0	382,285
Final balance	0	4,000

The movements of "other funds" reflect the withdrawal of 4,000 Euro from the "extraordinary proceedings fund" - aimed at covering any possible costs resulting from the proceedings referred to in title II of Part II of Law no. 165 of 17 November 2005 - against the financial support paid to persons in administrative compulsory liquidation.

Table 13.4: movements in item 8 "Fund for credit risks"

There are no provisions to the "Fund for credit risks" as at 31/12/2015, nor as at 31/12/2014.

14 Endowment Fund; Issue Premium; Subordinated liabilities; Fund for general banking risks and Net Profit (detailed breakdown of items 9-10-11-12-13-15-16)
Table 14.1: composition of item 9 "Fund for general banking risks"

Fund for general banking risks	31/12/2015	31/12/2014	Absolute variations and %	
Initial balance	51,825,921	51,825,921	0	0%
Contributions in the financial year	0	0	0	0%
Withdrawals in the financial year	0	0	0	0%
Closing balance	51,825,921	51,825,921	0	0%

No changes have occurred during the financial year.

Table 14.2: composition of item 10 "Subordinated liabilities"

There are no "Subordinated liabilities" as at 31/12/2015, nor as at 31/12/2014.

Table 14.3: composition of item 11 "Endowment fund"

Endowment fund	31/12/2015	31/12/2014	Absolute variations and %	
	12,911,425	12,911,425	0	0%

As provided for in art. 20 of the Statutes 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:

- 67% 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.;
- 2% Asset Banca S.p.A.;
- 1% Banca Sammarinese di Investimento S.p.A.

Table 14.4: composition of item 12 "Issue premium"

There are no "Issue premium" as at 31/12/2015, nor as at 31/12/2014.

Table 14.5: composition of item 13 "Reserves"

Reserves	31/12/2015	31/12/2014	Absolute variations and %	
a) Ordinary reserves	6,840,259	6,820,202	20,057	0.29%
b) Extraordinary reserves	9,627,277	9,627,277	0	0%
c) Reserve for own shares	0	0	0	0%
d) Other reserves	0	0	0	0%
Total	16,467,536	16,447,479	20,057	0.12%

The variations occurred in 2015 reflect only the increase in the ordinary reserve following the allocation of the profit for the financial year 2014, in line with the resolution of the meeting held on 27 May 2015.

Table 14.6: composition of item 15 "Profits (losses) carried forward"

There are no "Profits (losses) carried forward" as at 31/12/2015, nor as at 31/12/2014.

Table 14.7: composition of item 16 "Profit (loss) for the financial year"

Profit (loss) for the financial year	31/12/2015	31/12/2014	Absolute variations and %	
	-3,392,725	50,143	-3,442,868	-6866.10%

Table 14.8: variations in net equity in the last 4 years

	Share capital	Ordinary reserve	Extraordinary reserve	Other reserves	Operating results	Fund for general banking risks	Total
Balances as at	12,911,425	5,588,781	8,652,646	374,882	2,784,662	50,825,921	81,138,317



31/12/2012							
Balances as at 31/12/2013	12,911,425	6,702,646	9,627,277	0	293,890	51,825,921	81,361,159
Balances as at 31/12/2014	12,911,425	6,820,202	9,627,277	0	50,143	51,825,921	81,234,968
Balances as at 31/12/2015	12,911,425	6,840,259	9,627,277	0	-3,392,725	51,825,921	77,812,157

As provided for in art. 23 of the Statutes, the Meeting is required to cover the loss for the financial year 2015 against the balance available in the reserves.

15 Revaluation reserves (detailed breakdown of item 14)

There are no "Revaluation reserves" as at 31/12/2015, nor as at 31/12/2014.

Guarantees and Commitments

16 Guarantees and commitments

Table 16.1: composition of the “guarantees issued”

Guarantees issued	31/12/2015	31/12/2014	Absolute variations %	
A) Unsecured loans of a commercial nature	0	0	0	0
<i>A1. acceptance;</i>	0	0	0	0
<i>A2. sureties and bank guarantees;</i>	0	0	0	0
<i>A3. strong comfort letters;</i>	0	0	0	0
<i>A4. others.</i>	0	0	0	0
B) Unsecured loans of a financial nature	7,307,673	7,234,489	73,184	1.01%
<i>B1. acceptance;</i>	0	0	0	0
<i>B2. sureties and bank guarantees;</i>	7,307,673	7,234,489	73,184	1.01%
<i>B3. strong comfort letters;</i>	0	0	0	0
<i>B4. others.</i>	0	0	0	0
C) Assets pledged as guarantee	0	0	0	0
Totals	7,307,673	7,234,489	73,184	1.01%

Table 16.2: composition of “guarantees issued” based on the residual life

MATURITY	31/12/2015	31/12/2014
At sight	0	0
From 1 to 3 months	0	0
From 3 to 6 months	0	0

From 6 months to 1 year	300,000	300,000
From 1 year to 18 months	0	68,868
From 18 months to 2 years	300,000	0
From 2 years to 5 years	350,000	650,000
More than 5 years	6,173,738	6,173,738
Without maturity	183,935	41,883
Total	7,307,673	7,234,489

Table 16.3: assets pledged as guarantee of own debts

There are no assets pledged as guarantee of own debts.

Table 16.4: margins available on credit lines

CBSM has no credit facilities open with central banks and/or commercial banks that would allow, by virtue of contractual agreements, to have access to cash collection or funding.

There are certain commercial banks with which the CBSM maintains a relationship for the sale and purchase of securities and carries out Forex and Money Market activities, and with which it is possible to carry out transactions, not secured by collateral, for the collection of cash for short periods of time and for limited amounts.

These operations result from the mutual granting of credit lines with such parties.

Table 16.5: composition of "Spot commitments"

Spot commitments	31/12/2015	31/12/2014	Absolute variations and %	
A) Disbursement commitments for certain use	213,382	202,590	10,792	5.33%
- of which commitments for loans to be disbursed	0	0	0	0
B) Commitments to exchange financial instruments for certain use	0	0	0	0
C) Disbursement commitments for uncertain use	0	0	0	0



- of which negative margins to be used on credit lines	0	0	0	0
- of which put options issued	0	0	0	0
D) Commitments to exchange financial instruments for uncertain use	0	0	0	0
Totals	213,382	202,590	10,792	5.33%

The item "for certain use" commitments is comprised exclusively of spot transactions concerning currencies to be delivered/received.

Table 16.6: Term commitments

As at 31/12/2015 there are no term commitments.

Table 16.7: Financial derivatives

As at 31/12/2015 there are no financial derivatives.

Table 16.8: Derivative contracts on credits

As at 31/12/2015 there are no derivative contracts on credits.

Suspense accounts

17 Suspense Accounts

Table 17.1: Suspense Accounts

Items	31/12/2015	31/12/2014	Absolute variations and %	
A) Asset management	0	0	0	0
a) asset management for customers	0	0	0	0
b) own portfolios managed by third parties	0	0	0	0
B) Financial instruments custody	342,743,557	336,113,404	6,630,153	1.97%



and management				
a) deposited third-party financial instruments	89,616,694	88,661,204	955,490	1.08%
<i>of which: debt securities issued by the Central Bank</i>	0	0	0	0
<i>of which: capital securities and other securities issued by the Central Bank</i>	0	0	0	0
<i>of which: third-party financial instruments deposited with third parties</i>	935,678	1,215,663	-279,985	-23.03%
b) own financial instruments deposited with third parties	253,126,863	247,452,200	5,674,663	2.29%
C) Financial instruments and other assets linked to the activities as custodian bank	24,122,775	13,994,045	10,128,730	72.38%
a) liquidity	316,775	1,045	315,730	30.21%
<i>of which: liquidity deposited with the Central Bank</i>	316,775	1,045	315,730	30.21%
b) debt securities	0	0	0	0
<i>of which: debt securities issued by the Central Bank</i>	0	0	0	0
c) capital securities, CIS units, other financial instruments	0	0	0	0
<i>of which: capital securities issued by the Central Bank</i>	0	0	0	0
d) other assets other than financial instruments and liquidity	23,806,000	13,993,000	9,813,000	70.13%

With reference to "C) Financial instruments and other assets linked to the activities as custodian bank" it should be noted that the values indicated refer to the custodian bank activities carried out by the Central Bank on behalf of Fondiss, pursuant to Law no. 191 of 6 December 2011.

The increase shown in the table reflects the gradual increase, in 2015, in the resources managed by Fondiss itself.

With reference to other suspense accounts, the following is reported:

- the assets foreclosed by the Overdue Tax Collection Service 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 with a value of 98,316 Euro;
- the guarantees received with reference to the extensions granted by the Overdue Tax Collection Service amount to 19,365,005 Euro;
- the amount of the mediation guarantee fund managed by the Central Bank (CBSM Regulation no. 2013-03) is equal to 650,000 Euro;
- The *Promissory Note* of the value of 21,176,534 Euro issued by the Government of the Republic of San Marino in favour of the International Monetary Fund is deposited with the Central Bank.

Part C - Information on the Profit and Loss Account

18 Interest (items 1 and 2)

Table 18.1: detailed breakdown of item 1 "Interest received and other proceeds"

Interest received and other proceeds	31/12/2015	31/12/2014	Absolute variations and %	
A) On loans to banks	-30,182	11,503	-41,685	-362.38%
<i>A.1 c/accounts in credit</i>	-30,115	9,781	-39,896	-407.89%
<i>A.2 deposits</i>	-67	997	-1,064	-106.72%
<i>A.3 other loans</i>	0	725	-725	-100.00%
<i>of which: on leasing transactions</i>	0	0	0	0
B) On loans to customers	351,244	473,703	-122,459	-25.85%
<i>B.1 c/accounts in credit</i>	344,354	447,675	-103,321	-23.08%
<i>B.2 deposits</i>	0	0	0	0
<i>B.3 other loans</i>	6,890	26,028	-19,138	-73.53%
<i>of which: on leasing transactions</i>	0	0	0	0
C) On debt financial instruments from banks	656,828	462,002	194,826	42.17%

<i>C.1 certificates of deposit</i>	0	0	0	0
<i>C.2 bonds</i>	656,828	462,002	194,826	42.17%
<i>C.3 other financial instruments</i>	0	0	0	0
D) On debt financial instruments from customers (other issuers)	1,062,122	1,514,951	-452,829	-29.89%
<i>D.1 bonds</i>	1,062,122	1,514,951	-452,829	-29.89%
<i>D.2 other financial instruments</i>	0	0	0	0
Totals	2,040,012	2,462,159	-422,147	-17.15%

As shown in table 18.1 above, compared to 2014, the total negative variation in interest received for -422,147 Euro (-17.15%) reflects a decrease in each one of the components, i.e. interest on inter-bank loans, customer loans and financial instruments. In absolute values, the most significant decrease reflects interest on financial instruments, equal to -258,003 Euro (letters C and D).

The aforementioned variation in interest received on financial instruments is mainly due to the reduction in interest rates on the market.

With reference to interest on inter-bank loans, it should be noted that in 2015, in light of negative interest rates received on such transactions, they showed a negative value. The same situation did not occur with reference to customer loans, nor for the debt securities held in own portfolio.

Table 18.2: detailed breakdown of item 2 "Interest paid and other costs"

Interest paid and other costs	31/12/2015	31/12/2014	Absolute variations and %	
A) On debts with banks	1,382	178,025	-176,643	-99.22%
<i>A.1 Overdrawn c/accounts</i>	2,056	151,507	-149,451	-98.64%
<i>A.2 deposits</i>	-6,745	26,518	-27,192	-102.54%
<i>A.3 other debts</i>	0	0	0	0.00%
B) On debts with customers	50,120	422,344	-372,224	-88.13%
<i>B.1 overdrawn c/accounts</i>	50,120	422,344	-372,224	-88.13%
<i>B.2 deposits</i>	0	0	0	0.00%



B.3 other debts	0	0	0	0.00%
C) On debts represented by financial instruments to banks	0	0	0	0.00%
<i>of which: on certificates of deposit</i>	0	0	0	0.00%
D) On debts represented by financial instruments to customers	0	0	0	0.00%
<i>of which: on certificates of deposit</i>	0	0	0	0.00%
E) On subordinated liabilities	0	0	0	0.00%
Totals	51,502	600,369	-548,867	-91.42%

As shown in table 18.2 above, in 2015 interest paid registered a significant drop as regards both interest related to debts with banks and that related to debts with customers.

As for interest received, such variation is mainly due to the reduction in interest rates following the reduction in the relevant market parameters.

With reference to interest on debts with banks, it should be noted that, during the financial year, they also assumed a negative value, as regards deposit liabilities, in light of the negative interest rates paid on such transactions.

The same circumstance occurred with reference to the interest on debts with customers and debts with banks other than deposits; it was decided, however, to apply minimum interest rates equal to zero in case of negative interest rates payable.

19 Dividends and other proceeds (item 3)

There are no "Dividends and other proceeds" as at 31/12/2015, nor as at 31/12/2014.

20 Commissions (items 4-5)

Table 20.1: detailed breakdown of item 4 "Commissions received"

Commissions received	31/12/2015	31/12/2014	Absolute variations and %	
a) Guarantees issued	6,530	6,817	-287	-4.21%



b) Collection and payment services	1,978,083	1,975,584	2,499	0.13%
c) Custodian bank services	7,200	7,200	0	0%
d) Financial instruments custody and management	0	0	0	0%
e) Other services	840,080	840,171	-91	-0.01%
Totals	2,831,893	2,829,772	2,121	0.07%

Items "Collection and payment services" and "Other services" include the revenues associated with the provision of services rendered to the Broader Public Administration. In 2015, on the basis of the agreement defined for the three-year period 2013-2015, these amounted to 2,800,000 Euro in total.

By contrast, the item "Custodian bank services" includes the commissions received by the Central Bank for the custodian bank service carried out on behalf of Fondiss.

Table 20.2: detailed breakdown of item 5 "Commissions paid"

Commissions paid	31/12/2015	31/12/2014	Absolute variations and %	
a) Guarantees received	0	0	0	0%
b) Securities custody and management:	41,133	42,410	-1,277	-3.01%
- <i>own portfolio</i>	38,733	40,746	-2,013	-4.94%
- <i>portfolio of third parties</i>	2,400	1,664	736	44.23%
c) Collection and payment services	21,740	19,822	1,918	9.68%
d) Other services	83,196	83,533	-337	-0.40%
Totals	146,069	145,765	304	0.21%

For the purposes of comparing the data, the value for the financial year 2014 was recalculated according to the accounting adjustment of costs, made in 2015 between "Commissions paid", "Other operating costs" and "Other administrative costs".

The commissions for "Other services" also include the annual commission of 45,000 Euro and the total quarterly commissions of 6,207 Euro paid to the Italian counterpart for the procurement services for banknotes and coins; the rest are miscellaneous commissions requested by the banks on current accounts.

21 Profits (losses) from financial operations (item 6)

Table 21.1: composition of item 5 "Profits (losses) from financial operations"

As at 31/12/2015			
Items/Operations	Transactions on financial instruments	Foreign currency transactions	Other transactions
A1. Revaluations	161,349	0	0
A2. Devaluations	-1,271,106	0	0
B. Other profits/losses	1,655,666	13,292	0
Total	545,909	13,292	
1. Government securities	0		
2. Other debt financial instruments	545,709		
3. Capital financial instruments	200		
4. Derivative contracts on financial instruments	0		
Total	545,909		

Item A.1: revaluations

It represents the value of the capital gains existing on the debt securities portfolio as at 31 December 2015, including those accrued on the Swift share of 200 Euro

Item A.2: devaluations

It represents the aggregate value of the capital losses existing on the securities portfolio as at 31 December 2015

Item B.: other profits/losses

The item refers to profits and losses resulting from securities negotiation, including those occurring at the time of reimbursement at maturity; in the second column, it indicates the proceeds (trading/valuation) derived from

currencies.

Compared to 2014, this item registered a decrease of approximately -2.9 million Euro, mainly due to the securities segment, with a lower profit from trading (approximately -1.5 million Euro) and a lower difference between capital gains and losses resulting from valuation as at 31/12/2015 (approximately -1.4 million Euro).

22 Administrative costs (item 9)

Table 22.1: Number of employees by category

	% on the total as at 31/12/2015	Number as at 31/12/2015	Number as at 31/12/2014
a) Senior Officers	1.06%	1	1
b) Officers	12.77%	12	14
c) Rest of staff			
1. front office managers/clerks	81.91%	77	76
2. support staff	4.26%	4	3

Table 22.2: detailed breakdown of sub-item a) "Labour costs"

Labour costs	31/12/2015	31/12/2014	Variations	
			Amount	%
Wages and salaries	4,860,030	4,745,955	114,075	2.40%
Pension contributions	1,412,350	1,387,177	25,173	1.81%
Staff retirement allowances	617,011	613,672	3,339	0.54%
Severance and indemnity-related costs	0	0	0	0%
Other labour costs	730,826	611,933	118,893	19.43%
Total	7,620,217	7,358,737	261,480	3.55%

As shown in table 22.2 above, the most significant increase registered in labour costs, equal to 19.43%, refers to "Other labour costs", which include the expenses incurred for training and refresher courses, performance bonus, holidays accrued but not taken as at 31 December 2015,

with pension contributions costs and retirement allowances. The increase registered in the financial year is mainly due to holidays accrued but not taken as at 31 December 2015 and other related expenses.

Table 22.3: Directors and statutory auditors - remunerations

	31/12/2015	31/12/2014	Variations	
			Amount	%
Directors	231,372	306,720	-75,348	-24.57%
Statutory Auditors	28,920	27,240	1,680	6.17%
Total	260,292	333,960	-73,668	-22.06%

Table 22.4: detailed breakdown of sub-item b) "Other administrative costs"

Other administrative costs	31/12/2015	31/12/2014	Variations	
			Amount	%
Graphic art work and advertising	15,263	5,611	9,652	172.02%
Insurance premiums	215,628	219,868	-4,240	-1.93%
Miscellaneous utilities and cleaning of premises	137,832	125,091	12,741	10.19%
Forms, stationary and newspapers	48,281	29,169	19,112	65.52%
Postage and telephone	253,965	209,899	44,066	20.99%
Consumables and spare parts	23,514	22,993	521	2.27%
Professional consultancy fees	251,566	231,985	19,581	8.44%
Reimbursement of personnel/consultant travel cost	21,506	31,126	-9,620	-30.91%
Rentals, technical assistance, repairs and various services	1,452,993	1,361,011	91,982	6.76%
Association memberships and similar fees	28,759	24,760	3,999	16.15%

Rents paid	78,000	79,867	-1,867	-2.34%
Import taxes	4,185	4,264	-79	-1.85%
Armed security	53,424	51,041	2,383	4.67%
Translations	59,581	35,302	24,279	68.78%
Various transport	31,659	29,009	2,650	9.14%
Donations	150,550	0	150,550	100.00%
Miscellaneous and varied expenses	66,035	84,593	-18,558	-21.94%
Total	2,892,741	2,545,589	347,152	13.64%

For the purposes of comparing the data, the value for the financial year 2014 was recalculated according to the accounting adjustment of costs, made in 2015 between "Commissions paid", "Other operating costs" and "Other administrative costs".

The most significant variation is represented by the increase in "Donations", mainly due to the restoration of the Endowment fund of the Central Bank (150,000 Euro).

Administrative costs ("Labour Costs" and "Other administrative costs") include the costs incurred for the Financial Intelligence Agency.

23 Adjustments, recoveries and provisions (items 10-11-12-13-14-15-16-17)

Table 23.1: composition of items 10-11 "Value adjustments of intangible and tangible fixed assets"

Value adjustments on intangible and tangible fixed assets	31/12/2015	31/12/2014	Variations	
			Amount	%
a) Intangible fixed assets	141,972	144,241	-2,269	-1.57%
- software	141,760	144,029	-2,269	-1.58%
- multi-year costs on third party assets	212	212	0	0.00%
<i>of which: on leased assets</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0.00%</i>
b) Tangible fixed assets	256,089	292,259	-36,170	-12.38%

- real property	189,146	189,146	0	0.00%
- other tangible fixed assets	66,943	103,113	-36,170	-35.08%
<i>of which: on leased assets</i>	0	0	0	0.00%
Total	398,061	436,500	-38,439	-8.81%

Table 23.2: composition of item 12 "Provisions for financial risks and costs"

In 2015 and 2014, no provisions were made for financial risks and costs.

Table 23.3: item 13 "Provisions to the credit risk funds"

In 2015 and 2014, no provisions were made to the fund for credit risks.

Table 23.4: composition of item 14 "Value adjustments on credits and provisions for guarantees and commitments"

Value adjustments on credits and provisions for guarantees and commitments	31/12/2015	31/12/2014	Variations	
			Amount	%
a) Value adjustments on credits	14,781	79,097	-64,316	-81.31%
b) Provisions for guarantees and commitments	0	0	0	0.00%
Total	14,781	79,097	-64,316	-81.31%

These are the value adjustments made in 2015 to credits for the recovery of sums levied from supervised parties included under "other assets", as shown in the detail in this latter item.

Table 23.5: composition of item 15 "Value recoveries on credits and provisions for guarantees and commitments"

Value recoveries on credits and provisions for guarantees and commitments	31/12/2015	31/12/2014	Variations	
			Amount	%
Value recoveries	1,379	0	1,379	100%
Total	1,379	0	1,379	100%

This item represents the recoveries of credits previously depreciated.

Table 23.6: composition of item 16 "Value adjustments on financial fixed assets"

In 2015 and 2014, no value adjustments were made on financial fixed assets.

Table 23.7: composition of item 17 "Value recoveries of on financial fixed assets"

In 2015 and 2014, no value recoveries were made on financial fixed assets.

24 Other items of the profit and loss account (items 7 – 8 – 19-20)

Table 24.1/24.2: composition of items 7/8 "Other operating proceeds", "Other operating costs"

Other operating proceeds	31/12/2015	31/12/2014	Variations	
			Amount	%
a) Rents received	3,500	3,000	500	16.67%
b) Personnel expenses recovered	2,126	40,608	-38,482	-94.76%
c) Recovery of sums levied from supervised parties	2,125,000	2,200,000	-75,000	-3.41%
d) Credit notes, allowances and positive rounding-off of figures	67	63	4	6.35%
e) Proceeds from Overdue Tax Collection Services	43,035	41,728	1,307	3.13%
f) Recovery of costs related to the Mediation Data Bank	23,333	0	23,333	100.00%
g) Recovery of costs for Central Credit Register	201,173	0	201,173	100.00%
h) Recovery of costs associated with procurement services for banknotes and coins	226,617	216,497	10,120	4.67%
i) Miscellaneous proceeds	10,177	28,835	-18,658	-64.71%
Total	2,635,028	2,530,731	104,297	4.12%

The item "Other operating proceeds" includes, as the most significant economic component, the portion of the total costs deriving from the conduct of the supervisory function on other financial, insurance and lending activities charged to supervised parties for the financial year 2015. The remainder of these costs is not recovered and the Central Bank bears these expenses.

As shown in the previous table, compared to the previous financial year, the supervised parties were required to pay a fee of less than 75,000 Euro.

The item "Recovery of costs for Central Credit Register" refers to the recognition of the recovery of the costs for the financial year 2015 that will be made within the context of the invoicing carried out by the Central Bank, pursuant to Circular no. 2015-02, in 2016.

The "Recovery of costs associated with procurement services for banknotes and coins" and the "Recovery of costs related to the Mediation Data Bank" refer, instead, to the recoveries made in 2015 with the relevant amount for the period.

Other operating costs	31/12/2015	31/12/2014	Variations	
			Amount	%
a) Expenses related to the centralised management of cash	91,648	91,588	60	0.07%
b) Allowances and various rounding-off of figures	116	78	38	48.72%
c) Costs for extraordinary proceedings on supervised entities	10,500	0	10,500	100.00%
d) Miscellaneous costs	1,185	758	427	56.33%
Total	103,449	92,424	11,025	11.93%

For the purposes of comparing the data, the value for the financial year 2014 was recalculated according to the accounting adjustment of costs, made in 2015 between "Commissions paid", "Other operating costs" and "Other administrative costs".

The increase in this item compared to 2014 is mainly due to costs resulting from extraordinary proceedings regarding supervised parties, concerning amounts paid to support the procedures provided for in title II of Part II of Law no. 165 of 17 November 2005.

Table 24.3: composition of item 19 "Extraordinary proceeds"

Extraordinary proceeds	31/12/2015	31/12/2014	Variations
------------------------	------------	------------	------------

			Amount	%
a) Windfall proceeds	36,510	18,443	18,067	97.96%
b) Contingent assets	10,760	382,285	-371,525	-97.19%
c) Capital gains	2	6,870	-6,868	-99.97%
d) Rounding off to Euro units	1	0	1	100%
Total	47,273	407,598	-360,325	-88.40%

As shown in the table above, extraordinary proceeds are comprised, mostly, of windfall proceeds. The latter mainly reflect the recovery, with reference to 2014, of the costs related to the Mediation Data Bank (35,000 Euro).

Table 24.4: composition of item 20 "Extraordinary costs"

Extraordinary costs	31/12/2015	31/12/2014	Variations	
			Amount	%
a) Windfall costs	18,331	7,600	10,731	141.20%
b) Contingent liabilities	1,979	8,000	-6,021	-75.26%
c) Capital losses	89	0	89	100.00%
d) Rounding off to Euro units	0	1	-1	-100.00%
Total	20,399	15,601	4,798	30.75%

Part D – Other Information

25 Statement of financial conditions

Generated and collected funds	2015	2014
Funds generated from operations		
Net profit	-3,392,725	50,143
Provisions for financial risks and costs	0	0
Provision to the fund for general banking risks	0	0
Value adjustments on fixed assets	398,061	436,500
	-2,994,664	486,643
Increase in funds collected:		
Other liabilities	0	0
Debts with banks	60,878,210	0
Debts with customers	0	0
Debts represented by financial instruments	0	0
Provision for staff retirement allowances	555,172	604,168
Other variations	0	0
Accrued expenses and deferred revenues	0	0
	61,433,382	604,168
Decrease in funds used		
Other assets	0	4,125,103
Shares, quotas and other capital financial instruments	0	0
Cash and available funds	1,261,740	71,829
Intangible fixed assets	0	0
Tangible fixed assets	1,077	2,800
Accrued revenues and deferred expenses	0	0
Inter-bank loans	0	50,161,395
Bonds and other debt financial instruments	0	18,419,079
Customer loans	5,847,541	4,965,102
Holdings	0	0
	7,110,358	77,745,308
Total generated and collected funds	65,549,076	78,836,119

Funds used and spent	2015	2014
Value recoveries and use of funds generated from operations:		
Value recoveries (on "other funds")	0	382,285
Utilisation of other funds	4,000	113,715
Dividends paid out	30,086	176,334
Other reserves (unavailable reserves)	0	0
	34,086	672,334
Increase in funds spent:		
Other assets	107,389	0
Other variations	0	0
Cash and available funds	0	0
Inter-bank loans	18,826,808	0
Customer loans	0	0
Intangible fixed assets	307,727	195,100
Tangible fixed assets	12,025	51,311
Shares, quotas and other capital financial instruments	200	590
Bonds and other debt financial instruments	5,956,100	0
Holdings	0	0
Accrued revenues and deferred expenses	5,615	2,572
	25,215,864	249,573
Decrease in funds collected:		
Other liabilities	2,122,820	4,768,774
Debts with banks	0	37,048,768
Debts with customers	37,572,138	35,484,367
Use of staff retirement allowances	604,168	612,303
Debts represented by financial instruments	0	0
Accrued expenses and deferred revenues	0	0
	40,299,126	77,914,212
Total funds used and spent	65,549,076	78,836,119

The Legal Representative

Wafik Grais



Board of Statutory Auditors
Report on the Financial
Statements closed on 31
December 2015



Registered office: San Marino – via del Voltone, 120

Endowment Fund: 12,911,425.00Euro fully paid up

Registered in Register of Companies with number 180

Economic Operator Code SM04262

BOARD OF STATUTORY AUDITORS REPORT

FINANCIAL STATEMENTS CLOSED ON 31/12/2015

Dear Shareholders,

the Financial Statements closed on 31 December 2015, 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 no. 165 dated 17/11/2005 – the Law on companies and on banking, financial and insurance services; Law no. 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 Financial Statements, the Notes and the Governing Council's Report were put at the disposal of the Board of Statutory Auditors on 19/05/2016. The draft of the Financial Statements were approved by the Governing Council on 19 May last, and on 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 loss for the financial year amounting to **€ 3.392.725** was determined, besides illustrating the accounting principles observed therein.

The operating results are contained in the following categories of asset and income figures 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	358,685,689
ENDOWMENT FUND	EURO	12,911,425
RESERVES	EURO	16,467,536
LOSS FOR THE FINANCIAL YEAR	EURO	- 3,392,725

ASSETS	EURO	384,671,925
--------	------	-------------

Guarantees and Commitments:

GUARANTEES ISSUED	EURO	7,307,673
COMMITMENTS	EURO	213,382

Suspense Accounts:

ASSET MANAGEMENT	EURO	0
DEPOSITED THIRD-PARTY SECURITIES	EURO	88,681,016
THIRD-PARTY SECURITIES DEPOSITED W/3rd PARTIES	EURO	935,678
OWN SECURITIES DEP. WITH W/3rd PARTIES	EURO	253,126,863
TOTAL SUSPENSE ACCOUNTS	EURO	342,743,557



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

INTEREST RECEIVED	EURO	321,062
INTEREST ON SECURITIES	EURO	1,718,950
DIVIDENDS AND OTHER PROCEEDS	EURO	0
INTEREST PAID	EURO	-51,502
<hr/>		
MONEY MANAGEMENT MARGIN	EURO	1,988,510
<hr/>		
PROFITS FROM FINANCIAL OPERATIONS	EURO	1,830,307
FINANCIAL OPERATION COSTS	EURO	- 1,271,106
<hr/>		
FINANCIAL MANAGEMENT MARGIN	EURO	2,547,711
<hr/>		
OTHER OPERATING PROCEEDS	EURO	2,876,147
OTHER OPERATING COSTS	EURO	-157,870
OTHER PROCEEDS	EURO	2,588,649
LABOUR COSTS	EURO	-7,618,091
DEPRECIATION AND PROVISIONS COSTS	EURO	-398,061
OTHER COSTS	EURO	-3,244,681
VALUE ADJUSTMENTS ON CREDITS	EURO	-14,781
<hr/>		



ORDINARY OPERATING MARGIN	EURO	-3,419,598
----------------------------------	-------------	-------------------

EXTRAORDINARY OPERATIONS PROCEEDS	EURO	2
-----------------------------------	------	---

EXTRAORDINARY OPERATING COSTS	EURO	-89
-------------------------------	------	-----

WINDFALL PROCEEDS	EURO	47,270
-------------------	------	--------

WINDFALL COSTS	EURO	-20,310
----------------	------	---------

LOSS FOR THE FINANCIAL YEAR	EURO	-3,392,725
------------------------------------	-------------	-------------------

PROVISION FOR RISKS AND COSTS	EURO	0
-------------------------------	------	---

PROVISION TO FUND GEN. BANKING RISKS	EURO	0
--------------------------------------	------	---

USE OF MISCELLANEOUS FUNDS	EURO	0
----------------------------	------	---

LOSS FOR THE FINANCIAL YEAR	EURO	-3,392,725
------------------------------------	-------------	-------------------

INCOME TAXES	EURO	0
--------------	------	---

LOSS FOR THE FINANCIAL YEAR	EURO	-3,392,725
------------------------------------	-------------	-------------------



Pursuant to Art. 23 of Law 96 dated 29/06/2005 as subsequently amended and supplemented, Central Bank losses (if any) shall be covered by resorting to the reserves; should such funds be insufficient, the loss shall be covered the following year using resources paid by the shareholders proportionally to their shares held in the endowment fund.

AUDITING CHECKS

The Board of Statutory Auditors has examined the Report made by the Independent Auditing company appointed by the Shareholders Assembly, which was received on 30 May 2016, 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 financial year 2015, 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 its running, **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 and on those carried out by the related parties;
- ✓ The Board of Statutory Auditors, on the basis of the information obtained, **was able to verify** that the actions resolved and implemented are compliant with the law and the Statutes and that they do not seem imprudent, risky, in potential conflict of interest or in contrast with the decisions taken by the General Meeting of the Shareholders;
- ✓ The Board of Statutory Auditors **supervised** the observance of the Law and the Statutes, as well as compliance with the principles of proper management;
- ✓ it is declared that the general organisation of 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 and 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 commissions paid, other operating costs and administrative costs, which were recalculated to reflect accounting adjustments, in order to ensure the comparability with the financial year 2015.

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 Financial Statements. 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 Financial Statements closed on 31st December 2015 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, the Deputy Director and the staff 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, 30th May 2016

THE BOARD OF STATUTORY AUDITORS

Mr Fabio Rossi

Ms Sandy Stefanelli

Mr Luca Marcucci



Independent Auditing
Company's Report on the
Financial Statements closed on
31 December 2015





INDEPENDENT AUDITORS' REPORT

To the Quotaholders of the
BANCA CENTRALE DELLA REPUBBLICA DI SAN MARINO

1. We have audited the statutory financial Statements of *BANCA CENTRALE DELLA REPUBBLICA DI SAN MARINO* (the bank) as of and for the year ended December 31, 2015. The Governing Council members of that Institution are responsible for the content therein. Our responsibility is to express a professional opinion regarding the Financial Statements based on our accounting audit.
2. The audit was performed in accordance with the International Standards on Auditing (ISAs) and pursuant to the Republic of San Marino legislation regulating Financial Statements. Accordingly, the audit was organised and carried out in order to acquire all information necessary to ascertain whether the Financial Statements contain any material misstatements or significant errors and if they are, overall, reliable. The auditing procedure included the examination, carried out on the basis of sample checks, of the probatory elements connected with the balances, and information contained in the Balance Sheet, as well as the valuation of the adequacy and accuracy of the accounting criteria applied. The extent to which the estimates carried out by the Governing Council members are reasonable was furthermore checked. We believe that the examination conducted provides a sufficient basis for the expression of our professional opinion.

Regarding the opinion expressed about the previous year's Financial Statements, the data from which have been included pursuant to the laws in force, for comparison purposes, reference is made to the report issued by other auditor on May 7, 2015.

3. In our professional opinion, on December 31, 2015 the Financial Statements of the *BANCA CENTRALE DELLA REPUBBLICA DI SAN MARINO* were in line with the legislation that currently regulates their content; they have been presented with clarity, and accurately and correctly represent the Bank's net equity and financial situation. They have therefore portrayed the Bank's general economic status in a true manner.

AB & D Audit Business & Development S.p.A.



Marco Stolfi (Administrator)

San Marino, May 30, 2016

Società di revisione ed organizzazione contabile

BANCA
CENTRALE



DELLA REPUBBLICA
DI SAN MARINO
www.bcsm.sm