

BANCA  **CENTRALE**
DELLA REPUBBLICA DI SAN MARINO

Annual Report

2014



Annual Report 2014



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

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

Governing Council	
Renato Clarizia	Chairman
Stefano Bizzocchi	Vice Chairman
Silvia Cecchetti	Member
Giorgio Lombardi	Member
Giovanni Luca Ghiotti	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
Francesco Ielpo	Inspector
Andrea Vivoli	Inspector

I: as at 31 December 2014





Governing Council Report on 2014 Management





Dear Shareholders,

the main data and economic-equity indicators pertaining to 2014 management are summarized in the table below.

	2014	2013	Variations	
			Absolute	%
Balance Sheet Totals	366,964,480	444,896,714	-77,932,234	-17.5%
Inter-bank loans	38,789,632	88,951,027	-50,161,395	-56.4%
Customer loans	61,866,262	66,831,364	-4,965,102	-7.4%
Bonds and other debt financial instruments	247,636,764	266,055,843	-18,419,079	-6.9%
Shares, quotas and other capital financial instruments	3,430	2,840	590	20.8%
Holdings	0	0	0	0%
Debts with banks	142,869,955	179,918,723	-37,048,768	-20.6%
Debts with customers	132,763,863	168,248,230	-35,484,367	-21.1%
Debts represented by financial instruments	0	0	0	0%
Net Equity ^I	81,234,968	81,361,159	-126,191	-0.2%
Money management margin	1,861,790	2,732,126	-870,336	-31.9%
Profits and losses from financial operations	3,427,925	4,010,164	-582,239	-14.5%
Financial management margin	5,289,715	6,742,290	-1,452,575	-21.5%
Gross contribution margin	8,126,525	9,632,310	-1,505,785	-15.6%
Gross operating margin	-334,985	692,123	-1,027,108	-148.4%
Net profit	50,143	293,890	-243,747	-82.9%

^I: Total includes the Endowment Fund, Reserves, the Fund for General Banking Risks and Net profit.

From the up-to-date information entered in the table and referring to 31/12/2013 and 31/12/2014, what emerges first is that the balance sheet total assets have fallen in the last financial year by 77.9 million Euro, moving from 444.9 million Euro to 367 million Euro.

With reference to the balance sheet elements, we report a significant decrease that occurred in the collection originating both from the banking system, which went from 179.9 million Euro in 2013 to 142.9 million Euro in 2014 (-37 million Euro), and from clients, decreased from 168.2 million Euro in 2013, to 132.8 million Euro in 2014 (-35.5 million Euro).

The loans in the assets also decreased to a similar extent. Overall inter-bank loans, customer loans, debt financial instruments and capital financial instruments have suffered a decrease, compared to the previous year, of 73.4 million Euro.

In detail, inter-bank loans decreased by 50.2 million Euro compared to 2013 (-56.4%), while customer loans decreased by only 5 million Euro (-7.4%). Both debt and capital financial instruments held in the portfolio dropped slightly compared to 2013, i.e. by Euro 18.4 million (-6.9%).

On 31/12/2014, the net equity of the Bank, composed of the Endowment Fund, Reserves, the Fund for General Banking Risks and Net profit appears to be substantially unchanged compared to 2013.



By contrast, an examination of the income indicators that emerge from the prospectus of the Reclassified Profit and Loss Account, highlights, in the first place, the money management margin, of 1.9 million Euro, showing a decrease of 0.9 million Euro compared to 2013, equal to 31.9%.

As regards the values of the components of said margin, firstly we notice a general decrease in the interest received, including that received on securities. This reduction, totalling -0.6 million Euro, was also due to a contraction that occurred in the market interest rates during 2014.

By contrast, the interest paid increased, specifically by 0.2 million Euro (60%). This increase is mainly due to the interest paid to customers (+0.2 million Euro), and resulted from the renegotiation of the Financial Agreement with the Public Administration, signed on 30 December 2013.

Net Profits from Financial Operations amounted to 3.4 million Euro (in 2013 they amounted to 4 million Euro) and this, considering that the Bank only invests in bonds with a low risk profile, may be considered as a satisfactory result. Given this positive result, the financial management margin of 5.3 million Euro decreased, compared to the data reported in 2013 (6.7 million Euro), to a lesser extent than that of the money management margin (-21.5% compared to -31.9%).

The first half of 2014 saw the continuation of the tendency to narrow the spread of government-backed bonds of the so-called peripheral countries of the Euro area against the German government-backed bonds regarded as point of reference. Concurrently, the level of interest rates decreased in an almost constant and generally uniform manner during 2014; the rate of Germany's five-year government-backed bond fell from 0.93% at the beginning of the year to 0.01% at the end of the year.

As regards the three-month Euribor rate, which represents the index parameter for most floating rate securities of the CBSM portfolio, it went from 0.28%, value as at 1 January, to 0.08% by the end of 2014.

During 2014, the financial markets were driven by the still highly expansionary monetary policies of the central banks of the main countries in the world, which provided liquidity through rate-reducing manoeuvres and by direct intervention on the market through the purchase of bonds following the line drawn by the Federal Reserve with the Quantitative Easing policies.

As regards the ECB, grappling with the still not expansionary economic data of the Euro area and, above all, with a deflationary trend that was becoming increasingly marked and worrying throughout the year, its Governing Council decided to lower its key rate on two occasions, bringing it from 0.25% to 0.05% but especially introducing for the first time also the negative payment of the liquidity deposits with the Eurosystem central banks.

In the last period of the year, as these expansionary policies, in Europe, had not proved sufficient to stop the deflationary trend of prices, during the press conferences held after ECB periodic meetings, Governor Draghi gradually announced the introduction of the Quantitative Easing instrument also in Europe. This prospect further lowered the returns of bonds, making them drop, for many governmental issuers and various expiration dates, even below zero in percentage terms.

In this context, the bond portfolio did register a 1.92% yield, with a securities trading profit of over 3 million Euro and with an average managed amount of 280 million Euro.

As regards the gross contribution margin, amounting to 8.1 million Euro, compared to 2013, there is a decrease of 1.5 million Euro (-15.63%). 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 diagram, the other proceeds/operating costs influenced the components of the profit for net 2.8 million Euro, as in 2013 (2.9 million Euro).

The ordinary operating margin shows, in 2014, a negative value equal to -0.3 million Euro, while in 2013 it was 0.3 million Euro. This highlights that, despite in 2014 the balance of general



costs and other proceeds registered a negative absolute value lower than in 2013 (-8.5 million Euro in 2014 compared to 9.3 million Euro in 2013), and the existing income margin (8.1 million Euro) is not sufficient to sustain it.

In detail, compared to 2013, the labour costs (excluding directors and statutory auditors and net of reimbursement costs for staff on secondment) increased slightly (by 12,835 Euro), the other costs (including depreciations) decreased by 0.6 million Euro, other proceeds increased by 0.3 million Euro (mainly as a result of the corresponding increase in the recovery of sums levied from supervised parties), while there were adjustments on credits equal to 0.08 million Euro, which had been absent in the previous financial year.

The extraordinary operating balance, equal to 0.4 million Euro, although not on the levels of 2013 (equal to 1.1 million Euro) contributed to rebalance the negative ordinary operating margin.

In 2014, no provisions were made for the financial risks and costs funds and for the Fund for general banking risks.

Therefore, the net profit for the year amounts to 50,143 Euro.

It should be remembered that, consistently with the provisions of the Statutes (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:

PROFIT INDEX %	2014	2013
Gross contribution margin / Total assets	2.2%	2.2%
Ordinary operating margin / Total assets	-0.1%	0.1%
Net profit / Net Equity (ROE)	0.1%	0.4%
Net profit / Total assets	0%	0.1%

PRODUCTIVITY INDEX (% - Euro)	2014	2013
Labour costs / Gross contribution margin	90.1%	75.84%
Ordinary operating margin / Annual average: Human Resources ^I	-3,789	3,320
Ordinary operating margin / Net Equity	-0.4%	0.4%

I: Personnel actually present at the Bank, per the Human Resources Schedule (Annex no. 1 to the Notes)



IMPORTANT EVENTS WHICH OCCURRED AFTER THE CLOSURE OF THE FINANCIAL YEAR

No relevant facts were recorded after the closure of the financial year.

Dear Shareholders,

the Governing Council, in compliance with the provisions of art. 23 of its Statutes, the following allocation of profits amounting to 50,143 Euro is proposed:

	Euro
To the Ordinary Reserve Fund (40%)	20,057
To Holding Bodies/Agencies (60%)	30,086

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	6,840,259
Extraordinary Reserve Fund	9,627,277
Fund for General Banking Risks	51,825,921
Other Equity Reserves	0
Total Net Equity	81,204,882

Dear Shareholders,

The Governing Council's Report on 2014 Management was read and submitted for approval on 6 May 2015.

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, 27 May 2015





2014 Financial Statements







Balance Sheet Assets

	2014		2013	
1. CASH AND CASH EQUIVALENTS		11,518,209		11,590,038
2. INTER-BANK LOANS		38,789,632		88,951,027
a) sight credits	38,789,632		88,451,027	
b) other credits	0		500,000	
3. CUSTOMER LOANS		61,866,262		66,831,364
a) sight credits	57,822,849		60,318,525	
b) other credits	4,043,413		6,512,839	
4. BONDS AND OTHER DEBT FINANCIAL INSTRUMENTS		247,636,764		266,055,843
a) issued by public institutions	42,261,884		52,944,252	
b) issued by banks	110,985,771		166,060,278	
c) issued by financial institutions (undertakings)	49,854,469		34,365,098	
d) issued by other institutions	44,534,640		12,686,215	
5. SHARES, QUOTAS AND OTHER CAPITAL FINANCIAL INSTRUMENTS		3,430		2,840
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		225,493		174,634
a) financial leasing	0		0	
b) assets pending leasing	0		0	
- of which 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	225,493		174,634	
9. TANGIBLE FIXED ASSETS		4,322,990		4,566,737
a) financial leasing	0		0	
b) assets pending financial leasing	0		0	
- of which resulting from terminated leasing agreements	0		0	
- of which for breach of the lessee	0		0	
c) real estate property	4,163,105		4,352,250	
d) other tangible fixed assets	159,885		214,487	
10. SUBSCRIBED CAPITAL NOT PAID IN		0		0
11. OWN SHARES OR QUOTAS		0		0





	2014		2013	
12. OTHER ASSETS		2,552,591		6,677,694
13. ACCRUED REVENUES AND DEFERRED EXPENSES		49,109		46,537
a) accrued revenues	0		0	
b) deferred expenses	49,109		46,537	
TOTAL ASSETS		366,964,480		444,896,714





Balance Sheet Liabilities

	2014		2013	
1. DEBTS WITH BANKS		142,869,955		179,918,723
a) sight debts	35,833,308		89,033,560	
b) term or notice debts	107,036,647		90,885,163	
2. DEBTS WITH CUSTOMERS		132,763,863		168,248,230
a) sight debts	132,763,863		168,248,230	
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		9,487,526		14,256,299
- of which cheques in circulation and other securities	1,151,435		1,013,806	
5. ACCRUED EXPENSES AND DEFERRED REVENUES		0		0
a) accrued expenses	0		0	
b) deferred revenues	0		0	
6. STAFF RETIREMENT ALLOWANCES		604,168		612,303
7. FINANCIAL RISKS AND COSTS FUNDS		4,000		500,000
a) retirement and similar costs funds	0		0	
b) tax fund	0		0	
c) other funds	4,000		500,000	
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		16,447,479		16,329,923
a) ordinary reserves	6,820,202		6,702,646	
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



	2014		2013	
15. PROFITS (LOSSES) CARRIED FORWARD		0		0
16. PROFIT (LOSS) FOR THE FINANCIAL YEAR		50,143		293,890
TOTAL LIABILITIES		366,964,480		444,896,714





Guarantees and Commitments

	2014	2013
GUARANTEES ISSUED		
of which:		
a) acceptances	0	0
b) other guarantees	7,234,489	8,908,453
COMMITMENTS		
of which:		
a) for certain use	202,590	1,884,422
- <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	7,437,079	10,792,875



Profit and Loss Account

	2014	2013
1. INTEREST RECEIVED AND OTHER PROCEEDS	2,462,159	3,107,529
a) on inter-bank loans	11,503	153,935
b) on customer loans	473,703	501,215
c) on debt securities	1,976,953	2,452,379
2. INTEREST PAID AND OTHER COSTS	-600,369	-375,403
a) on debts with banks	-178,025	-159,678
b) on debts with customers	-422,344	-202,654
c) on debts represented by securities	0	-13,071
- 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	2,829,772	2,838,070
5. COMMISSIONS PAID	-158,349	-156,602
6. PROFITS (LOSSES) FROM FINANCIAL OPERATIONS	3,427,925	4,010,164
7. OTHER OPERATING PROCEEDS	2,530,731	2,232,471
8. OTHER OPERATING COSTS	-94,069	-94,763
9. ADMINISTRATIVE COSTS	-10,224,057	-10,728,201
a) labour costs	-7,692,697	-7,716,971
aa) wages and salaries	-4,745,955	-4,708,733
ab) pension contributions	-1,387,177	-1,375,689
ac) retirement allowances	-613,672	-614,456
ad) severance and indemnity-related liabilities	0	0
ae) directors and statutory auditors	-333,960	-392,320
af) other labour costs	-611,933	-625,773
b) other administrative costs	-2,531,360	-3,011,230
10. VALUE ADJUSTMENTS ON INTANGIBLE FIXED ASSETS	-144,241	-151,665
11. VALUE ADJUSTMENTS ON TANGIBLE FIXED ASSETS	-292,259	-384,150
12. PROVISIONS FOR FINANCIAL RISKS AND COSTS	0	-100,000
13. PROVISIONS TO THE CREDIT RISKS FUNDS	0	0
14. VALUE ADJUSTMENTS ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS	-79,097	0
15. VALUE RECOVERIES ON CREDITS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS	0	0
16. VALUE ADJUSTMENTS ON FINANCIAL FIXED ASSETS	0	0





	2014	2013
17. VALUE RECOVERIES ON FINANCIAL FIXED ASSETS	0	0
18. PROFIT (LOSS) ON ORDINARY ACTIVITIES	-341,854	197,450
19. EXTRAORDINARY PROCEEDS	407,598	1,116,597
20. EXTRAORDINARY COSTS	-15,601	-20,157
21. EXTRAORDINARY PROFIT (LOSS)	391,997	1,096,440
22. INCOME TAX FOR THE FINANCIAL YEAR	0	0
23. VARIATION TO THE FUND FOR GENERAL BANKING RISKS	0	-1,000,000
24. PROFIT (LOSS) FOR THE FINANCIAL YEAR	50,143	293,890



Reclassified Profit and Loss Account

	2014	2013
1. INTEREST RECEIVED	485,206	655,150
1.1 from customers	473,703	501,215
1.2 from banks	11,503	153,935
1.2.1 current account and sight deposits	9,781	2,972
1.2.2 term deposits and repurchase agreements	997	857
1.2.3 other interest	725	150,106
2. INTEREST ON SECURITIES	1,976,953	2,452,379
3. DIVIDENDS AND OTHER PROCEEDS	0	0
4. INTEREST PAID	-600,369	-375,403
4.1 to customers	-422,344	-202,654
4.1.1 current account and sight deposits	-422,344	-202,654
4.1.2 term deposits and repurchase agreements	0	0
4.2 to banks	-178,025	-159,678
4.3 other assimilated interest and costs	0	-13,071
A. MONEY MANAGEMENT MARGIN	1,861,790	2,732,126
5. PROFITS FROM FINANCIAL OPERATIONS	3,550,434	4,829,145
6. FINANCIAL OPERATION COSTS	-122,509	-818,981
B. FINANCIAL MANAGEMENT MARGIN	5,289,715	6,742,290
7. OTHER OPERATING PROCEEDS	3,089,228	3,141,386
7.1 proceeds from securities management	174	16,760
7.2 proceeds from foreign currency management	0	0
7.3 other proceeds	3,089,054	3,124,626
8. OTHER OPERATING COSTS	-252,418	-251,366
8.1 securities management costs	-40,746	-39,150
8.2 foreign currency management costs	0	0
8.3 other costs	-211,672	-212,216
C. GROSS CONTRIBUTION MARGIN	8,126,525	9,632,310
9. OTHER PROCEEDS	2,230,667	1,909,798
of which: from rounding off in Euro units	0	1
10. LABOUR COSTS	-7,318,129	-7,305,294
10.1 clerical	-3,248,736	-3,176,177
10.2 management and officers	-1,497,219	-1,532,556
10.3 pension contributions	-1,387,177	-1,375,689
10.4 provision to employee retirement fund	-613,672	-614,456
10.5 miscellaneous personnel costs	-611,933	-625,774
(minus personnel expense reimbursements)	40,608	19,358
11. DEPRECIATION AND PROVISIONS COSTS	-436,500	-535,816





	2014	2013
12. OTHER COSTS	-2,865,321	-3,403,548
of which: from rounding off in Euro units	1	1
13. VALUE ADJUSTMENTS ON CREDITS	-79,097	0
D. ORDINARY OPERATING MARGIN	-341,855	297,450
14. EXTRAORDINARY OPERATING PROCEEDS	6,870	394,673
15. EXTRAORDINARY OPERATING COSTS	0	0
E. GROSS OPERATING MARGIN	-334,985	692,123
16. WINDFALL PROCEEDS	400,728	721,924
17. WINDFALL COSTS	-15,600	-20,157
F. PRE-PROVISIONS PROFITS	50,143	1,393,890
18. PROVISIONS FOR FINANCIAL RISKS AND COSTS	0	-100,000
19. PROVISION TO THE FUND FOR GENERAL BANKING RISKS	0	-1,000,000
20. USE OF MISCELLANEOUS FUNDS	0	0
G. PRE-TAX PROFITS	50,143	293,890
21. INCOME TAXES	0	0
H. NET PROFIT	50,143	293,890





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 Balance Sheets and Financial Statements for 2014 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).

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. Consequently, compared to the previous financial year, changes were also made to the tables of the Notes.

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 the analysis of the data, comparison is made between the current year's figures and those from the preceding Statements, recalculated, if necessary, for the new financial statement templates.

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 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 2014 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 (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 securities and foreign currencies to be delivered have been entered at the price that was contractually agreed upon with the other party.

BONDS AND OTHER DEBT FINANCIAL INSTRUMENTS

The Securities portfolio as at 31/12/2014 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.

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 operations".

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

SHARES, QUOTAS AND OTHER CAPITAL FINANCIAL INSTRUMENTS

There is only one single share (Swift), 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 31/12/2014.

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 (30/12/2014).

TANGIBLE FIXED ASSETS

These have been entered at their purchase price, inclusive of any accessory costs. During 2014 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 (modified with Law no. 166 of 16/12/2013).

INTANGIBLE FIXED ASSETS

These are shown at their purchase price, including all accessory costs. These are software programmes and multi-annual costs on third-party assets goods, with depreciation plans of a maximum duration of 5 years and depreciation percentages consistent with the fiscal legislation (amended by Law no. 166 of 16/12/2013).

DEBTS

These are shown at their face value, increased by the interest accrued on the closing date of the balance sheets.

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 (detailed breakdown of 1)

	2014	2013
cash and other valuables	11,518,209	11,590,038

The item, compared to 2013, decreased by 71,829 Euro, equal to 0.62%.

The vault cash is composed of Euro-denominated notes and coins for a value of 11,518,209 Euro, including the cash available at the company used to perform the centralised cash management services.

It also includes foreign currencies for a countervalue of 956 Euro and cash funds for 200 Euro created at the Single Court of San Marino for legal notification expenses.

2 Inter-bank loans (detailed breakdown of 2)

	2014		2013	
inter-bank loans		38,789,632		88,951,027
- sight credits	38,789,632		88,451,027	
- other credits	0		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		Variations	
	2014	2013	2014	2013	amount	%
A) sight credits						
A1. current accounts	38,588,687	87,994,848	200,945	456,179	-49,661,395	-56.15%
A2. other technical forms	0	0	0	0	0	0
B) other credits						
B1. term deposits	0	0	0	0	0	0
B2. current accounts	0	0	0	0	0	0
B3. Repurchase agreements and repos	0	0	0	0	0	0
B4. others	0	500,000	0	0	-500,000	-100.00%
Total	38,588,687	88,494,848	200,945	456,179	-50,161,395	-56.68%



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.

About the residual life of the inter-bank loans, as also shown in the table, as at 31/12/2014, there are exclusively sight credits. The credit of 500,000 Euro was collected on 30/12/2014, as highlighted as at 31/12/2013 under "Other credits".

The "interest to be received from banks", accrued and matured as at the end of the financial year, amounting to 906 Euro, is included in the "sight" item.

3 Customer loans (detailed breakdown of 3)

	2014		2013	
customer loans		61,866,262		66,831,364
- sight credits	57,822,849		60,318,525	
- other credits	4,043,413		6,512,839	

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

	Euro		Other currencies		Variations	
	2014	2013	2014	2013	amount	%
A) on demand/until revoked:						
A1. current accounts	57,822,849	60,318,525	0	0	-2,495,676	-4.14%
A2. others	0	0	0	0	0	0
B) other credits:						
B1. current accounts	0	0	0	0	0	0
B2. Repurchase agreements and repos	0	0	0	0	0	0
B4. other loans	4,043,413	6,512,839	0	0	-2,469,426	-37.92%
Total	61,866,262	66,831,364	0	0	-4,965,102	-7.43%

The "customer loans" refer to credit positions on current account towards the Public Administration and, to a minimum extent, to credits to the employees of the Central Bank.

Specifically, the "current accounts" item includes a loan for 60 million Euro granted to the Most Excellent Chamber opened in December 2012, to be repaid starting from 30/11/2014 and with final maturity 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 Euro 2.5 million, with the first instalment on 31/12/2014.

The first instalment collected was therefore of 2.5 million Euro and the residual credit at year-end dropped to 57.5 million Euro.

The "Other credits" relate to the residual credit of a loan granted to the Public Administration (3.1 million Euro) and loans issued to CBSM employees (mortgage loans for 954,486 Euro).

In relation to these latter loan, the bank received mortgage guarantees from its employees amounting to 1,902,275 Euro and sureties amounting to 137,188 Euro. For the loan to the Public Administration, conversely, restrictions were placed on availability on current account amounting to 3.1 million Euro.

As at 31/12/2014, the breakdown of loans based on residual life is as follows:

- sight credits 322,849 Euro;
- from 1 to 3 months 18,878 Euro;
- from 3 months to 6 months 3,036,322 Euro;
- from 6 months to 1 year 3,054,741 Euro;
- from 1 year to 18 months 3,054,301 Euro;
- from 18 months to two years 3,052,917 Euro;
- from 2 years to 5 years 16,233,045 Euro;
- over 5 years 33,132,494 Euro.

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 57.5 Euro million has been indicated, for the purposes of the above-mentioned breakdown, on the basis of the repayment plan 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.

The "interest to be debited to customers", accrued and matured as at the end of the financial year, amounting to 89,053 Euro, is included in the "sight credits", "current accounts" item.

4 Bonds and other debt financial instruments; Shares, quotas and other capital financial instruments (detailed breakdown of 4 and 5)

Property Securities appear under the following items:

	2014		2013	
a) bonds and other debt financial instruments:		247,636,764		266,055,843
- issued by public institutions	42,261,884		52,944,252	
- issued by banks	110,985,771		166,060,278	
- issued by financial institutions (undertakings)	49,854,469		34,365,098	
- issued by other institutions	44,534,640		12,686,215	

The "bonds and other debt financial instruments" item concerning 2013 has been recalculated, to compare it with the figure relating to 2014, as the upwards adjustment has been introduced, which

concerns the accrued revenues on interest received on securities. Consequently, the value of the "accrued revenues", both in 2014 and in 2013, is equal to zero.

The portfolio of debt financial instruments is entirely composed of securities "held for trading" and for treasury needs.

	Balance Sheet Values	
	2014	2013
1. debt financial instruments	247,636,764	266,055,843
1.1 bonds	247,636,764	266,055,843
1.2 other debt financial instruments	0	0
Total	247,636,764	266,055,843

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

As at 31/12/2014, the breakdown on the basis of the residual life and by the type of rate (floating rate "fl. r."; or fixed rate "f. r.") is as follows:

- within 3 months 959,863 Euro (entirely at fl. r.);
- from 3 months to 6 months 4,014,226 Euro (entirely at fl. r.);
- from 6 months to 1 year 8,033,454 Euro (5,007,159 Euro fl. r., 3,026,295 Euro f. r.);
- from 1 year to 18 months 36,546,898 Euro (26,502,086 Euro fl. r., 10,044,812 Euro f. r.);
- from 18 months to 2 years 32,576,023 Euro (entirely at fl. r.);
- from 2 years to 5 years 128,453,324 Euro (105,997,436 Euro fl. r., 22,455,888 f. r. Euro);
- over 5 years 37,052,976 Euro (35,760,883 Euro fl. r., 1,292,093 Euro f. r.).

	2014	2013
b) shares, quotas and other capital financial instruments	3,430	2,840

This item is comprised only of the value of one share of the company Swift, which includes also the capital gains registered as at 31/12/2014 amounting to 590 Euro.

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

	2014	2013
A. Opening balances	266,058,683	107,148,343
B. Increases	841,978,926	1,153,182,541



	2014		2013	
B.1 purchases	838,159,772		1,147,575,690	
- of which debt financial instruments	838,159,772		1,147,575,690	
- of which capital financial instruments	0		0	
B.2 value recoveries and revaluations	0		0	
B.3 transfer from the investment portfolio	0		0	
B.4 other variations	3,819,154		5,606,851	
C. Decreases		860,397,415		994,272,201
C.1 sales and refunds	859,802,784		992,808,264	
- of which debt financial instruments	859,802,784		992,808,264	
- of which capital financial instruments	0		0	
C.2 value adjustments and devaluations	122,509		818,981	
C.3 transfer to the investment portfolio	0		0	
C.4 other variations	472,122		644,956	
D. Final balance		247,640,194		266,058,683

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 204,873 Euro
Item B.4: other variations
includes:
- profit from securities negotiation totalling 3,145,040 Euro;
- issue margins for 2014 totalling 45,686 Euro on non-listed fixed income securities;
- capital gains on securities totalling 438,697 Euro resulting from the application of the valuation principle shown in Part A;
- issue margins matured on zero coupon securities totalling 1,737 Euro;
- accrued revenues as at 31/12/2014 on interest on securities amounting to 187,994 Euro.
Item C.1: sales and refunds
includes:
- issue margins amounting to 249,794 Euro matured on the negotiation/refund date on non-listed fixed income
Item C.2: value adjustments
- capital losses calculated in application of the valuation principle shown in Part A
Item C.4: other variations
includes:
- accrued revenues as at 31/12/2013 on interest on securities amounting to 436,804 Euro;
- losses from securities negotiation totalling 35,318.

5 Holdings (detailed breakdown of 6 and 7)

	2014		2013	
a) holdings:		0		0
- financial undertakings	0		0	
- non-financial undertakings	0		0	



	2014	2013
--	------	------

	2014	2013
b) holdings in banking group businesses:	0	0
- financial undertakings	0	0
- non-financial undertakings	0	0

6 Intangible fixed assets (detailed breakdown of 8)

	2014	2013
intangible fixed assets:	225,493	174,634
- financial leasing	0	0
- assets pending leasing	0	0
- goodwill	0	0
- other fixed assets	225,493	174,634

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

Type of asset	2014			2013		
	Original Cost	Depreciation	Balance Sheet Value	Original Cost	Depreciation	Balance Sheet Value
multi-year costs on third party assets	201,162	200,950	212	201,162	200,737	425
software	4,424,634	4,199,353	225,281	4,229,534	4,055,325	174,209
Total			225,493			174,634

Balance sheet movements can be summarised as follows:

	2014	2013
A. Opening balances	174,634	118,059
B. Increases	195,100	208,240
B.1 purchases	195,100	208,240
B.2 value recoveries	0	0
B.3 revaluations	0	0
B.4 other variations	0	0



	2014	2013
C. Decreases	144,241	151,665
C.1 sales	0	0
C.2 value adjustments	144,241	151,665
- depreciations	144,241	151,665
- lasting devaluations	0	0
C.3 other variations	0	0
D. Final balance	225,493	174,634

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

Item B.1: purchases
costs for the purchase of software programmes
Item C.2: value adjustments
depreciation units for the year, calculated according to the direct method

7 Tangible fixed assets (detailed breakdown of 9)				
	2014		2013	
tangible fixed assets:		4,322,990		4,566,737
- financial leasing	0		0	
- assets pending leasing	0		0	
- real estate property	4,163,105		4,352,250	
- other fixed assets	159,885		214,487	

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

Type of asset	2014			2013		
	Historical cost	Depreciation Fund	Balance Sheet Value	Historical cost	Depreciation Fund	Balance Sheet Value
- electronic machinery	777,690	756,177	21,513	764,971	747,021	17,950
- electrical machinery	12,671	12,617	54	12,671	12,318	353
- furniture and furnishings	750,771	722,787	27,984	740,528	687,955	52,573
- miscellaneous equipment	90,534	83,865	6,669	89,082	78,683	10,399
- systems and fittings	975,575	892,690	82,885	962,578	845,186	117,392
- motor vehicles	120,100	105,620	14,480	126,500	116,980	9,520
- essential buildings	5,433,190	1,901,616	3,531,574	5,433,190	1,738,621	3,694,569



Type of asset	2014			2013		
	Historical cost	Depreciation Fund	Balance Sheet Value	Historical cost	Depreciation Fund	Balance Sheet Value
- multi-year costs for real property	871,664	240,133	631,531	871,664	213,983	657,681
- other owned property	6,300	0	6,300	6,300	0	6,300
Total			4,322,990			4,566,737

Balance sheet movements can be summarised as follows:

	2014	2013
A. Opening balances	4,566,737	4,898,391
B. Increases	51,311	52,496
B.1 purchases	51,311	52,496
B.2 value recoveries	0	0
B.3 revaluations	0	0
B.4 other variations	0	0
C. Decreases	295,058	384,150
C.1 sales	2,800	0
C.2 value adjustments	292,258	384,150
- depreciations	292,258	384,150
- lasting devaluations	0	0
C.3 other variations	0	0
D. Final balance	4,322,990	4,566,737

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

Item B.1: purchases

includes the costs for the purchase of:

- furniture and furnishings totalling 10,243 Euro;
- electronic machinery totalling 12,719 Euro;
- machinery, systems and fittings totalling 12,997 Euro;
- motor vehicles totalling 13,900 Euro;
- miscellaneous equipment totalling Euro 1,452.

Item C.1: sales

residual value to be depreciated of assets sold during 2014

8 Own shares or quotas (detailed breakdown of 11)

	2014	2013
own shares or quotas	0	0

9 Other assets (detailed breakdown of 12)

	2014	2013
other assets	2,552,591	6,677,694

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

	2014	2013
other assets:		
security margins	0	0
premiums paid for options	0	0
other	2,552,591	6,677,694
Total	2,552,591	6,677,694

The "Other" item includes the credits for the recovery of sums levied from supervised parties for 2014, totalling 2.2 Euro, which supervised parties are obliged to pay back to the Central Bank by 31 May 2015.

There are also credits for the recovery of sums levied from supervised parties related to the years before 2014, which are still unpaid. These credits, with a face value of 171,088 Euro, were devalued analytically for the amount of the share that was not deemed recoverable and were adjusted for the amount of 77,256 Euro.

Likewise, also the credits to recover the recovery the costs related to the financial year 2014, invoiced to debtors of expired loans, but not collected (5,199 Euro), were subject to the same devaluation. Consequently, further adjustments were made for 1,841 Euro.

Overall, the devaluation, entered among the value adjustment on loans of the profit and loss account, amounts to 79,097 Euro.

Furthermore, it is pointed that the "other assets", as at 31/12/2013, show a credit towards the Public Administration for 2.8 million Euro relating to the annual fee for the services rendered to the Central Bank, which was collected during 2014 and is therefore no longer included as at 31/12/2014. As at 31/12/2013, there was also an entry of 1.6 million Euro approximately, concerning the service for the replacement of worn out banknotes rendered by the Central Bank in favour of the San Marino banks, which, as at 31/12/2014, is only about 2,410 Euro.

Liabilities

10 Debts with banks (detailed breakdown of 1)

	2014	2013
debts with banks	142,869,955	179,918,723
- sight debts	35,833,308	89,033,560
- term or notice debts	107,036,647	90,885,163

For the purposes of comparing the data, the value for the financial year 2013 was recalculated for the classification in 2014 of deposits held by the banks for the purposes of the compulsory reserve between the "term or notice debts" as opposed to "sight debts", as was the case in 2013, as it was considered a better representation.

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

	Euro		Other currencies		Variations	
	2014	2013	2014	2013	amount	%
A) sight debts:						
A1. current accounts	35,827,337	89,033,522	5,971	38	-53,200,252	-59.75%
A2. others	0	0	0	0	0	0
B) term or notice debts:						
B1. current accounts	107,036,647	90,885,163	0	0	16,151,484	17.77%
B.2 term deposits	0	0	0	0	0	0
B.3 Repurchase agreements and reverse repos	0	0	0	0	0	0
B4. other loans	0	0	0	0	0	0
Total	142,863,984	179,918,685	5,971	38	-37,048,768	-20.59%

In relation to the residual life, it should be noted that, the debts with banks relating to deposits constituted for compulsory reserve purposes refer to the maintenance period expiring on 31/12/2014. The remaining debts are all included in the band with "sight" maturity.

The "interest paid to banks", accrued and matured as at the end of the financial year, amounting to 4,669 Euro, is included in the "sight" item.

11 Debts with customers (detailed breakdown of 2)

	2014	2013
debts with customers	132,763,863	168,248,230



	2014	2013
- sight debts	132,763,863	168,248,230
- 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		Variations	
	2014	2013	2014	2013	amount	%
A) sight debts:						
A1. current accounts	132,748,210	168,243,935	15,653	4,295	- 35,484,367	- 21.09%
A2. savings deposits	0	0	0	0	0	0
A3. others	0	0	0	0	0	0
B) term or notice debts:						
B1. term current accounts	0	0	0	0	0	0
B2. Repurchase agreements and reverse repos	0	0	0	0	0	0
B3. term savings deposits	0	0	0	0	0	0
B4. other funds	0	0	0	0	0	0
Total	132,748,210	168,243,935	15,653	4,295	- 35,484,367	- 21.09%

In relation to the residual life, as shown also in the table, all "debts with customers" have a "sight" maturity.

The "interest paid to customers", accrued and matured as at the end of the financial year, amounting to 35,573 Euro, is included in the "sight" item.

12 Other liabilities (detailed breakdown of 4)

	2014	2013
other liabilities	9,487,526	14,256,299
- of which cheques in circulation and other securities	1,151,435	1,013,806

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

	2014	2013
other liabilities:		



	2014	2013
premiums received on options	0	0
security margins	0	0
other	9,487,526	14,256,299
Total	9,487,526	14,256,299

The "Other liabilities" item includes the cheques in circulation (mostly drawing and receipt cheques issued by the Central Bank in the line of its State Treasury Service duties), as provided by the classification defined by Regulation 2008/02 (update II). In 2013, these cheques were indicated in the "Debts represented by financial instruments" item and consequently, for data comparison requirements, according to the new classification, also the amounts of the "Other liabilities" and "Debts represented by financial instruments" items for the financial year 2013 were recalculated.

"Other liabilities" include:

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 5 million Euro compared to 8.2 million Euro in 2013);
2. the Overdue Tax Collection entries already collected and pending being paid to the relevant entities amounting to 694,456 Euro and other suspended items relating to the Tax Service amounting to 377,879 Euro;
3. the existing debts related to the labour costs amounting to 1.8 million Euro, which include compensations, social security and tax costs (including the values for the calculation of residual holidays as at 31/12/2014).

Furthermore, it is pointed out that in 2013, the "Other liabilities" item (like the corresponding assets item) also included an entry of Euro 1.6 million approximately, concerning the service for the replacement of worn out banknotes rendered by the Central Bank in favour of the San Marino banks, which, as at 31/12/2014, is only about 2,410 Euro.

13 The funds (detailed breakdown of 6-7-8)

	2014	2013
a) staff retirement allowances	604,168	612,303

This item reflects the benefit substituting for the retirement allowances accrued by employees in 2014. During the financial year the following variations were registered:

	2014	2013
Balance as at 1st January	612,303	592,466
Decreases		
- used to pay retirement allowances to staff	612,303	592,466
Increases		



	2014	2013
- provisions made for financial year	604,168	612,303
Balance as at 31st December	604,168	612,303

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.

	2014	2013
b) financial risks and costs funds	4,000	500,000
- retirement and similar costs fund	0	0
- tax fund	0	0
- other funds	4,000	500,000

During the financial year the following variations were registered:

	2014	2013
Balance as at 1st January	500,000	1,100,000
Decreases		
- use of fund	113,715	0
- other variations	382,285	700,000
Increases		
- provisions	0	100,000
- other variations	0	0
Balance as at 31st December	4,000	500,000

The reductions in use relate to:

- 96,000 Euro (granting of financial support) to the "extraordinary proceeding" fund with 100,000 Euro set aside as at 31/12/2013 to cover any costs arising from the proceedings referred to in Title II of Part II of the Law no. 165 of 17 November 2005.
- 17,715 Euro (legal fees) to the fund created in 2012 in relation to the legal suit brought by the Icelandic bank Landsbanki Islands LBI.

Further reductions of 382,285 Euro are due to the closure as contingent assets of this fund.

The balance as at 31/12/2014 of 4,000 Euro is represented by the residual value of the "extraordinary proceeding" fund.



	2014	2013
c) credit risk fund	0	0

14 Endowment Fund; Issue Premium; subordinated liabilities; Fund for general banking risks and Net Profit (detailed breakdown of 9-10-11-12-13-15-16)

	2014	2013
a) fund for general banking risks	51,825,921	51,825,921

No changes have occurred during the financial year.

	2014	2013
Balance as at 1st January	51,825,921	50,825,921
Decreases:	0	0
- use of fund	0	0
Increases:	0	1,000,000
- provisions made for financial year	0	1,000,000
Balance as at 31st December	51,825,921	51,825,921

	2014	2013
b) subordinated liabilities	0	0

	2014	2013
c) endowment fund	12,911,425	12,911,425

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. On 30 December 2014, the transfer took place of 3% of the endowment fund by the Most Excellent Chamber in favour of Asset Banca S.p.A. (2%) and Banca Sammarinese di Investimenti S.p.A. (1%). Therefore, 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 Investimenti S.p.A.

	2014	2013
d) issue premium	0	0

	2014	2013
e) reserves	16,447,479	16,329,923
- ordinary reserves	6,820,202	6,702,646
- reserve for own shares	0	0
- extraordinary reserves	9,627,277	9,627,277
- other reserves	0	0

The changes that took place in 2014 relate only to the increase, amounting to 117,556 Euro (1.75%) of the ordinary reserve for provision of the profit for the year 2013.

	2014	2013
f) profits (losses) carried forward	0	0

	2014	2013
g) profit (loss) for the financial year	50,143	293,890

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 Statutes, 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.

15 Revaluation reserves (detailed breakdown of 14)

	2014	2013
Revaluation reserves	0	0

Guarantees and Commitments**16 Guarantees issued**

	2014	2013
guarantees issued		
of which:		
a) acceptances	0	0
b) other guarantees	7,234,489	8,908,453

The "other guarantees" item includes the bank guarantees granted on behalf of the Public Administration; these are included entirely in the category of unsecured loans of a financial nature.

In relation to the residual life of the afore-mentioned guarantees, please note that:

- 300,000 Euro with maturity on 31/12/2014;
- 718,868 Euro with maturity from 2 to 5 years;
- 6,173,738 Euro with maturity over 5 years;
- 41,883 Euro, no maturity was assigned.

17 Commitments

	2014	2013
Commitments		
of which:		
a) for certain use	202,590	1,884,422
- of which: financial instruments	0	0
b) for uncertain use	0	0
- of which: financial instruments	0	0
c) other commitments	0	0

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

Suspense accounts

18 Asset management

	2014	2013
asset management	0	0

19 Financial instruments custody and management

	2014	2013
financial instruments custody and management	336,113,404	448,770,993
a) deposited third-party financial instruments	88,661,204	183,149,114
- of which third-party financial instruments deposited with third parties	1,215,663	96,924,909
b) own financial instruments deposited with third parties	247,452,200	265,621,879

The “deposited third-party financial instruments” item concerning 2013 has been recalculated, in order to compare it with the figure relating to 2014, because it did not include the value of the “third-party financial instruments deposited with third parties” and included values related to securities that did not properly belong among the financial instruments.

The difference that is found in the deposited third-party financial instruments between the two financial years is mainly due to the detention, in 2013, by the San Marino banks of securities with CBSM as a term deposit for compulsory reserve purposes. These securities are not featured as at 31/12/2014.

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

	2014	2013
Financial instruments and other assets linked to the activities as custodian bank:	13,994,045	0
a) liquidity:	1,045	0
- of which liquidity deposited with the Central Bank	1,045	0
b) debt securities	0	0

	2014	2013
- of which debt securities issued by the Central Bank	0	0
c) capital securities, CIS units, other financial instruments	0	0
- of which capital securities issued by the Central Bank	0	0
d) other assets other than financial instruments and liquidity	13,993,000	0

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 16 December 2011.

In this regard, it should be noted that the collection of welfare contribution payments had started in July 2012, while the specific custodian bank activities, linked to the start of the investment by Fondiss, with the recovery of previous amounts, was started in the first quarter of 2014.

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 109,297 Euro;
- the guarantees received with reference to the extensions granted by the Overdue Tax Collection Service amount to 11,325,903 Euro;
- The Promissory Note of the value of 18,894,503 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

21 Interest (detailed breakdown of 1 and 2)

	2014	2013
a) interest received and other proceeds	2,462,159	3,107,529

The "interest received and other proceeds" were received:

	2014	2013
A) on loans to banks	11,503	153,935
- A1. c/accounts in credit	9,781	2,972
- A2. deposits	997	857

	2014	2013
- A3. other loans	725	150,106
of which on leasing transactions	0	0
B) on loans to customers	473,703	501,215
- B1. c/accounts in credit	447,675	461,421
- B2. deposits	0	0
- B3. other loans	26,028	39,794
of which on leasing transactions	0	0
C) on debt financial instruments	1,976,953	2,452,379
- C1. certificates of deposit	0	0
- C2. bonds	1,976,953	2,452,379
- C3. other financial instruments	0	0
Total	2,462,159	3,107,529

Compared to 2013, the total negative variation deducted from to interest received of 645,370 Euro (-20.77%) is due mainly to the decrease in interest on financial instruments of 475,426 Euro (-19.39%). The interest on loans to banks is decreased by 142,432 (-92.53%) Euro, while that on loans to customers by 27,512 Euro (-5.49%).

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

	2014	2013
b) interest paid and other costs	600,369	375,403

The "interest paid and other costs" accrued as detailed:

	2014	2013
A) on debts with banks	178,025	159,678
- A1. Overdrawn c/accounts	151,507	113,462
- A2. Deposits	26,518	46,216
- A3. Other debts	0	0
B) on debts with customers	422,344	202,654
- B1. Overdrawn c/accounts	422,344	202,654
- B2. Deposits	0	0
- B3. Other debts	0	0
C) on debts represented by financial instruments to banks	0	13,071
- of which: on certificates of deposit	0	13,071
D) on debts represented by financial instruments to customers	0	0
- of which: on certificates of deposit	0	0
E) on subordinated liabilities	0	0
Total	600,369	375,403

Compared to 2013, the total variation added to the interest paid of 224,966 Euro (59.93%) is mainly due to the increase in interest on debts with customers of 219,690 Euro (108.41%). The interest on debts with banks has by contrast increased by 18,347 Euro (11.49%), while that on debts represented by financial instruments amounts to zero.

The increase in interest paid on debts with customers resulted from the renegotiation of the Financial Agreement with the Public Administration, signed on 30 December 2013.

22 Dividends and other proceeds (detailed breakdown of 3)

	2014	2013
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

23 Commissions (detailed breakdown of 4-5)

	2014	2013
a) commissions received	2,829,772	2,838,070

The "commissions received" were registered in relation to:

	2014	2013
a) guarantees issued	6,817	7,535
b) collection and payment services	1,975,584	1,973,780
c) financial instruments custody and management	0	0
d) custodian bank services	7,200	0
e) other services	840,171	856,755
Total	2,829,772	2,838,070

The decrease in the global commissions received of 8,298 Euro (-0.29%) compared to 2013 is determined by the reduction of the commissions on guarantees issued equal to 718 Euro (-9.53%), by the increase in collection and payment commissions equal to 1,804 Euro (0.09%) and for the custodian bank services equal to 7,200 Euro (100%) and by the reduction of the commissions for other services amounting to 16,584 Euro (-1.94%).

"Collection and payment services" and "other services" include the revenues associated with the provision of services rendered to the Broader Public Administration. In 2014, 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, "custodian bank services" indicate the commissions received by the Central Bank for the custodian bank service carried out on behalf of Fondiss.

	2014	2013
b) commissions paid	158,349	156,602

The "commissions paid" were registered in relation to:

	2014	2013
a) guarantees issued	0	0
b) collection and payment services	23,822	19,637
c) financial instruments custody and management	40,746	38,600
d) other services	93,781	98,365
Total	158,349	156,602

For the purposes of comparing the data, the value for the financial year 2013 was recalculated for the classification in 2014 of a cost entry in the "commissions paid" as opposed to the "other operating costs", as was the case in 2013.

The increase in the global commissions paid of 1,747 Euro (1.12%) compared to 2013 is determined by the increase in the commissions on collection and payment services equal to 4,185 Euro (21.31%), for management and custody of financial instruments equal to 2,146 Euro (5.56%) and by the decrease in the commissions for other services equal to 4,584 Euro (-4.66%).

The commissions for "other services" also include the annual commission of 45,000 Euro and the total quarterly commissions of 5,217 Euro paid to the Italian counterpart for the procurement services for banknotes and coins.

24 Profits (losses) from financial operations (detailed breakdown of 6)

	2014	2013
profits (losses) from financial operations	3,427,925	4,010,164

The relevant breakdown may be summarised as follows:



	Securities transactions 2014	Foreign currency transactions 2014	Totals 2014
A.1 revaluations	438,697	0	438,697
A.2 devaluations	-122,509	0	-122,509
B. other profits/losses	3,109,722	2,015	3,111,737
Total	3,425,910	2,015	3,427,925
1. government securities	0		
2. other debt financial instruments	3,425,320		
3. capital financial instruments	590		
4. derivative contracts on financial instruments	0		

Item A.1: revaluations

represents the value of the capital gains existing on the securities portfolio as at 31 December 2014, including those accrued on the Swift share of 590 Euro

Item A.2: devaluations

represents the value of the capital losses existing on the securities portfolio as at 31 December 2014

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 and, in the second column, it indicates the proceeds derived from the transactions on currencies.

25 Administrative costs (detailed breakdown of 9)

	2014	2013
administrative costs	10,224,057	10,728,201

The "administrative costs" item is comprised as follows:

	2014	2013
a) labour costs	7,692,697	7,716,971
- wages and salaries	4,745,955	4,708,733
- pension contributions	1,387,177	1,375,689
- staff retirement allowances	613,672	614,456
- severance and indemnity-related costs	0	0
- directors and statutory auditors	333,960	392,320
- other labour costs	611,933	625,773
b) other administrative costs	2,531,360	3,011,230
- graphic art work and advertising	5,611	6,398
- insurance	219,868	227,272
- miscellaneous utilities and clearing of premises	125,091	134,674
- forms, stationary, newspapers and publications	29,169	49,190
- postal, telephone and telex services	209,899	204,245



	2014	2013
- consumables and spare parts	22,993	10,096
- professional consultancy fees	231,985	514,433
- reimbursement of personnel/consultant travel cost	31,126	46,592
- rentals, technical assistance, repairs and various services	1,346,782	1,313,512
- association memberships and similar fees	24,760	25,907
- rents paid	79,867	95,292
- costs for extraordinary proceedings on supervised entities	0	97,000
- import taxes	4,264	1,889
- armed security	51,041	61,849
- translations	35,302	14,653
- various transport	29,009	28,609
- miscellaneous and varied expenses	84,593	179,619
Total	10,224,057	10,728,201

The "labour costs" item also indicates the fees relating to the remunerations of directors and statutory auditors, as provided for by the classification defined by Regulation 2008/02 (update II). In 2013, these remunerations were indicated in the "b) other administrative costs" item, also included under "administrative costs", and consequently, for data comparison requirements, according to the new classification, also the amounts of the "a) labour costs" and "b) other administrative costs" items for the financial year 2013 were recalculated.

Administrative costs decreased, compared to 2013, by 504,144 Euro (-4.7%). The labour costs decreased by 24,274 Euro (-0.31%), while the other administrative costs decreased by 479,870 Euro (-15.94%).

The "other labour costs" include the expenses incurred for training and refresher courses, performance bonus, holidays accrued but not taken as at 31 December 2014, with pension contributions costs and retirement allowances.

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).

26 Adjustments, recoveries and provisions (detailed breakdown of 10-11-12-13-14-15-16-17)

	2014	2013
a) value adjustments on intangible fixed assets	144,241	151,665
b) value adjustments on tangible fixed assets	292,259	384,150



Adjustments are composed of as follows:

	2014	2013
intangible fixed assets	144,241	151,665
- software	144,029	151,453
- multi-year costs on third party assets	212	212
- of which leased assets	0	0
tangible fixed assets	292,259	384,150
- real property	189,146	252,194
- other tangible fixed assets	103,113	131,956
- of which leased assets	0	0
Total	436,500	535,815

The overall adjustments decreased by 99,315 Euro (-18.54%), those on intangible fixed assets by 7,424 Euro (-4.89%), while those on tangible fixed assets by 91,891 Euro (-23.92%).

	2014	2013
c) provisions for risks and costs	0	100,000

Unlike 2013, in 2014 there was no provision for the financial risks and costs funds.

	2014	2013
d) provisions to the credit risk funds	0	0

	2014	2013
e) value adjustments on credits and provisions for guarantees and commitments	79,097	0

This item may be broken down as follows:

	2014	2013
-value adjustments on credits	79,097	0
provisions for guarantees and commitments	0	0



	2014	2013
Total	79,097	0

These are the value adjustments made to loans for the recovery of sums levied from supervised parties included under "other assets", as shown in the detail in this latter item. These adjustments were not featured in 2013.

	2014	2013
f) value recoveries on credits and provisions for guarantees and commitments	0	0

	2014	2013
g) value adjustments on financial fixed assets	0	0

	2014	2013
h) value recoveries on financial fixed assets	0	0

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

	2014	2013
a) other operating proceeds	2,530,731	2,232,471

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

	2014	2013
- rents received	3,000	2,500
- personnel expenses recovered	40,608	19,358
- recovery of sums levied from supervised parties	2,200,000	1,900,000
- credit notes, allowances and positive rounding-off of figures	63	102
- proceeds from Overdue Tax Collection Services	41,728	51,761
- miscellaneous reimbursements	245,332	258,750
Total	2,530,731	2,232,471



Compared to 2013, there was an increase in the other operating proceeds of 298,260 Euro (+13.36%), mainly determined by the increase in the amount of recovery of sums levied from supervised parties (300,000).

This economic component refers to 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 2014. The remainder of these costs is not recovered; the Central Bank, so as not to overload the financial system, bears these expenses. It should be noted that the continuation of this practice in the future is conditioned upon the performance of the other items of the profit and loss account of the Central Bank.

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

	2014	2013
b) other operating costs	94,069	94,763

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

	2014	2013
- expenses related to the centralised management of cash	91,588	92,078
- allowances and various rounding-off of figures	78	83
- miscellaneous expenses	2,403	2,602
Total	94,069	94,763

In relation to this, please note, for the purposes of comparing the data, that the value for the financial year 2013 was recalculated for the classification in 2014 of a cost entry in the "commissions paid" as opposed to the "other operating costs", as was the case in 2013.

Compared to 2013, the item has seen an overall decrease by 694 Euro (-0.73%) and refers to part of the costs incurred for the centralised management of cash (these costs are then recovered on San Marino banks and entered under "miscellaneous reimbursements" of "other operating proceeds"), and to bank costs and rounding of liabilities.

	2014	2013
c) extraordinary proceeds	407,598	1,116,597

The "extraordinary proceeds" item is comprised of as follows:

	2014	2013
- windfall proceeds	18,443	21,924
- contingent assets	382,285	700,000
- capital gains	6,870	389,345
- other extraordinary proceeds	0	5,328
Total	407,598	1,116,597

The item decreased by 708,999 Euro compared to 2013 (-63.5%), and is mainly composed of contingent assets of 382,285 Euro resulting from the closure of the fund created in 2012 for the legal suit brought by the Icelandic bank Landsbanki Islands (LBI).

	2014	2013
d) extraordinary costs	15,601	20,157

The "extraordinary costs" item is comprised of as follows:

	2014	2013
- windfall costs	7,600	13,157
- contingent liabilities	8,000	7,000
- rounding off in Euro units	1	0
Total	15,601	20,157

Compared to 2013, the item slightly decreased to 4,566 Euro (-22.60%).

Part D – Other Information

28 The Directors and Statutory Auditors – Remunerations

	2014	2013
- Directors	306,720	360,070
- Statutory Auditors	27,240	32,250
Total	333,960	392,320

The overall value of remunerations decreased by 58,360 Euro (-14.88%) compared to 2013: those of Directors decreased by 53,350 Euro (-14.82%), while those of the Board of Statutory Auditors by 5,010 Euro (-15.53%).



The reduction of remunerations is due mainly to the measures implemented for the revision of the public expenditure for the Public Entities and State-affiliated Entities pursuant to art. 50 of Law no. 174 of 20 December 2013 and Delegated Decree no. 47 of 31 March 2014.

Appendix to the Notes



Annex 1 - Human Resources Schedule

Employees: SHOWN ACCORDING TO ORGANISATIONAL HIERARCHY

	2014 ^(A)	2013 ^(A)	2012 ^(A)	2011 ^(A)	2010 ^(A)
SENIOR OFFICERS	1.06%	1.05%	1.05%	1.09%	1.08%
OFFICERS	14.89%	15.79%	15.79%	16.30%	16.13%
FRONT OFFICE MANAGERS/CLERKS	80.86%	80.00%	80.00%	77.18%	77.42%
SUPPORT STAFF	3.19%	3.16%	3.16%	5.43%	5.38%
	100.00%	100.00%	100.00%	100.00%	100.00%

Employees: VARIATIONS

	2014 ^(A)	2013 ^(A)	2012 ^(A)	2011 ^(A)	2010 ^(A)
TOTAL EMPLOYEES					
at the start of the year:	95	95	92	93	84
of whom: in Supervision Department	26	26	28	28	25
of whom FIA	14	14	13	12	10
- HIRINGS	1	2	4	6	11
of whom: in Supervision Department	0	0	1	2	4
of whom FIA	0	0	2	1	1
- TERMINATIONS	2	2	1	7	2
of whom: in Supervision Department	0	0	0	2	2
of whom FIA	0	0	1	0	0
TOTAL EMPLOYEES					
at the end of the year:	94	95	95	92	93
of whom: in Supervision Department	25	26	26	27	28
of whom FIA	15	14	14	13	12
of whom: having fixed-term contracts	1	2	2	4	4
ANNUAL VARIATION	-1.00%	0.00%	3.26%	-1.08%	10.71%
of whom: in Supervision Department	-4.00%	0.00%	-7.14%	-3.57%	12.00%
of whom FIA	7.00%	0.00%	7.69%	8.33%	20.00%
REAL AVERAGE RESOURCES ^(B)	90.23	89.60	87.18	84.25	82.81

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

(B) 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 FUND	ORDINARY RESERVE	EXTRAORDINARY RESERVE	OTHER RESERVES	FUND FOR GENERAL BANKING RISKS	NET PROFIT	TOTAL EQUITY FUNDS
Balances as at 31/12/2011	12,911,425	5,071,035	8,652,646	356,767	47,236,730	1,294,365	75,522,968
Balances as at 31/12/2012	12,911,425	5,588,781	8,652,646	374,882	50,825,921	2,784,662	81,138,317
Balances as at 31/12/2013	12,911,425	6,702,646	9,627,277	0	51,825,921	293,890	81,361,159
Balances as at 31/12/2014	12,911,425	6,820,202	9,627,277	0	51,825,921	50,143	81,234,968



Annex 3 – 2014 Statement of Financial Conditions

Generated and collected funds	2014	2013
Funds generated from operations		
Net profit	50,143	293,890
Provisions for financial risks and costs	0	100,000
Provision to the fund for general banking risks	0	1,000,000
Value adjustments on fixed assets	436,500	535,815
	486,643	1,929,705
Increase in funds collected:		
Other liabilities	0	1,175,785
Debts with banks	0	92,442,993
Debts with customers	0	4,161,228
Debts represented by financial instruments	0	0
Provision for staff retirement allowances	604,168	612,303
Other variations	0	0
Accrued expenses and deferred revenues	0	0
	604,168	98,392,309
Decrease in funds used		
Other assets	4,125,103	0
Shares, quotas and other capital financial instruments	0	0
Cash and available funds	71,829	317,814
Intangible fixed assets	0	0
Tangible fixed assets	2,800	0
Accrued revenues and deferred expenses	0	16,864
Inter-bank loans	50,161,395	104,995,581
Bonds and other debt financial instruments	18,419,079	0
Customer loans	4,965,102	0
Holdings	0	445,231
	77,745,308	105,775,490
Total generated and collected funds	78,836,119	206,097,504

Annex 3 – 2014 Statement of Financial Conditions

Funds used and spent	2014	2013
Value recoveries and use of funds generated from operations:		
Value recoveries (on "other funds")	382,285	700,000
Utilisation of other funds	113,715	0
Dividends paid out	176,334	696,166
Other reserves (unavailable reserves)	0	374,882
	672,334	1,771,048
Increase in funds spent:		
Other assets	0	4,453,636
Other variations	0	0
Cash and available funds	0	0
Inter-bank loans	0	0
Customer loans	0	27,129,132
Intangible fixed assets	195,100	208,240
Tangible fixed assets	51,311	52,496
Shares, quotas and other capital financial instruments	590	1,377
Bonds and other debt financial instruments	0	158,908,963
Holdings	0	0
Accrued revenues and deferred expenses	2,572	0
	249,573	190,753,844
Decrease in funds collected:		
Other liabilities	4,768,774	0
Debts with banks	37,048,768	0
Debts with customers	35,484,367	0
Use of staff retirement allowances	612,303	592,466
Debts represented by financial instruments	0	12,887,997
Accrued expenses and deferred revenues	0	92,149
	77,914,212	13,572,612
Total funds used and spent	78,836,119	206,097,504



Board of Statutory Auditors Report on the Balance Sheets closed on 31 December 2014





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

Registered office: San Marino – via del Voltone, 120
Endowment Fund: 12,911,425.00 Euro fully paid up
Registered in Register of Companies with number 180
Economic Operator Code SM04262

BOARD OF STATUTORY AUDITORS REPORT
ON THE BALANCE SHEETS CLOSED ON 31/12/2014

Dear Shareholders,

the Financial Statements closed on 31st December 2014, 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 Balance Sheets, the Notes and the Governing Council's Report were put at the disposal of the Board of Statutory Auditors on 6th May 2015. The Financial Statements were approved by the Governing Council on 6th 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 net profits amounting to **€ 50,143**, 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	337,555,433
ENDOWMENT FUND	EURO	12,911,425
RESERVES	EURO	16,447,479
BALANCE SHEET PROFIT	EURO	50,143
-----	-----	-----
ASSETS	EURO	366,964,480

Guarantees and Commitments:

GUARANTEES ISSUED	EURO	7,234,489
COMMITMENTS	EURO	202,590

Suspense Accounts:

ASSET MANAGEMENT	EURO	0
DEPOSITED THIRD-PARTY SECURITIES	EURO	87,445,541
THIRD-PARTY SECURITIES DEP.		
W/3rd PARTIES	EURO	1,215,663
OWN SECURITIES DEP. W/3rd PARTIES	EURO	247,452,200
	-----	-----
TOTAL SUSPENSE ACCOUNTS	EURO	336,113,404

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

INTEREST RECEIVED	EURO	485,206
INTEREST ON SECURITIES	EURO	1,976,953
DIVIDENDS AND OTHER PROCEEDS	EURO	0
INTEREST PAID	EURO -	600,369
	-----	-----
MONEY MANAGEMENT MARGIN	EURO	1,861,790
	-----	-----
PROCEEDS FROM FINANCIAL OPERATIONS	EURO	3,550,434



FINANCIAL OPERATION COSTS	EURO - 122,509
<hr/>	
FINANCIAL MANAGEMENT MARGIN	EURO 5,289,715
<hr/>	
OTHER OPERATING PROCEEDS	EURO 3,089,228
OTHER OPERATING COSTS	EURO - 252,418
OTHER PROCEEDS	EURO 2,230,667
LABOUR COSTS	EURO - 7,318,129
DEPRECIATION AND PROVISION COSTS	EURO - 436,500
OTHER COSTS	EURO - 2,865,321
VALUE ADJUSTMENTS ON CREDITS	EURO - 79,097
<hr/>	
ORDINARY OPERATING MARGIN	EURO - 341,855
<hr/>	
EXTRAORDINARY OPERATING PROCEEDS	EURO 6,870
EXTRAORDINARY OPERATING COSTS	EURO 0
WINDFALL PROCEEDS	EURO 400,728
WINDFALL COSTS	EURO - 15,600
<hr/>	
PRE-PROVISION PROFITS	EURO 50,143
<hr/>	
PROVISION FOR RISKS AND COSTS	EURO 0
PROVISION TO FUND GEN. BANKING RISKS	EURO 0
USE OF MISCELLANEOUS FUNDS	EURO 0
<hr/>	
PRE-TAX PROFITS	EURO 50,143
<hr/>	
INCOME TAXES	EURO 0
<hr/>	
NET PROFIT	EURO 50,143

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 31/12/2014 the Fund for General Banking Risks, following the Financial Statements, amounted to € 51,825,921. It should be noted that the above-said Fund consists in net equity and serves to strengthen the Bank's capital 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 company appointed by the Shareholders Assembly, which was received on 06/05/2015, 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 2014 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 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 shareholders' meeting;
- ✓ 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 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 operating results of the Central Bank; the Board of Statutory Auditors therefore invites the Shareholders Assembly to approve the balance sheets closed on 31st December 2014 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, 20 May 2015

THE BOARD OF STATUTORY AUDITORS

Mr Fabio Rossi

Ms Sandy Stefanelli

Mr Luca Marcucci



Independent Auditing
company's Report on the
Balance Sheets closed on 31
December 2014



**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, 2014. 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 March 27, 2014.

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, May 7, 2015

BDO S.r.l. single shareholder



Paolo Scelsi
Administrator

BANCA
CENTRALE



DELLA REPUBBLICA
DI SAN MARINO
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