Fondo Interbancario di Tutela dei Depositi

Annual Report 2004

INTERBANK DEPOSIT PROTECTION FUND

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The Consortium's evolution

As of 31 December 2004, the number of member banks were 291, compared to 295 of previous December. Of these, 11 were Italian branches of non European Union banks and 2 are branches of a European Union bank. In line with art. 96, third paragraph of the Italian Banking Law and art. 2, third paragraph of the Statutes of the Fund, the first are obliged to join the FITD if they are not members of an equivalent foreign guarantee system. The two branches of European Union banks, one from the Netherlands and one from Slovenia, adhere to the Fund in a voluntary way, in order to raise the level of coverage of their home country schemes up to 103.291,38 Euro per depositor. During 2003, 12 new banks joined the Fund: 10 were mergers, 1 was transfer of assets and liabilities and 2 were recesses (Table 1).

Table 1
Variation in the composition of the consortium
(December 2003 – December 2004)

Action	***Number of Banks***
Member Banks on 31 December 2003	295
Mergers	10
Transfers of Assets and Liabilities	1
Recesses	5
New member banks	12
Member Banks on 31 December 2004	291

Source: FITD Statutory Reports

213 out of 291 member banks belong to banking groups, while 78 are single banks.

The number of banks that do not raise deposits, namely those whose Reimbursable Funds are equal to zero, has increased; from December 2003 to June 2004, these banks went from 23 to 28. This trend may be attributed to the growing specialization within banking groups, especially the big ones, where it is possible to find institutions that operate exclusively in *retail* sector, others in *middle market* or *corporate*, others that have *bad banks* function, others specialized in Leasing or loans.

Reimbursable Funds of member banks

As from data of 30 June 2004, total Reimbursable Funds (RF) were 356,9 billion Euro, with an increase of 5,9% comparing with previous year (Table 2 and Graph 1).

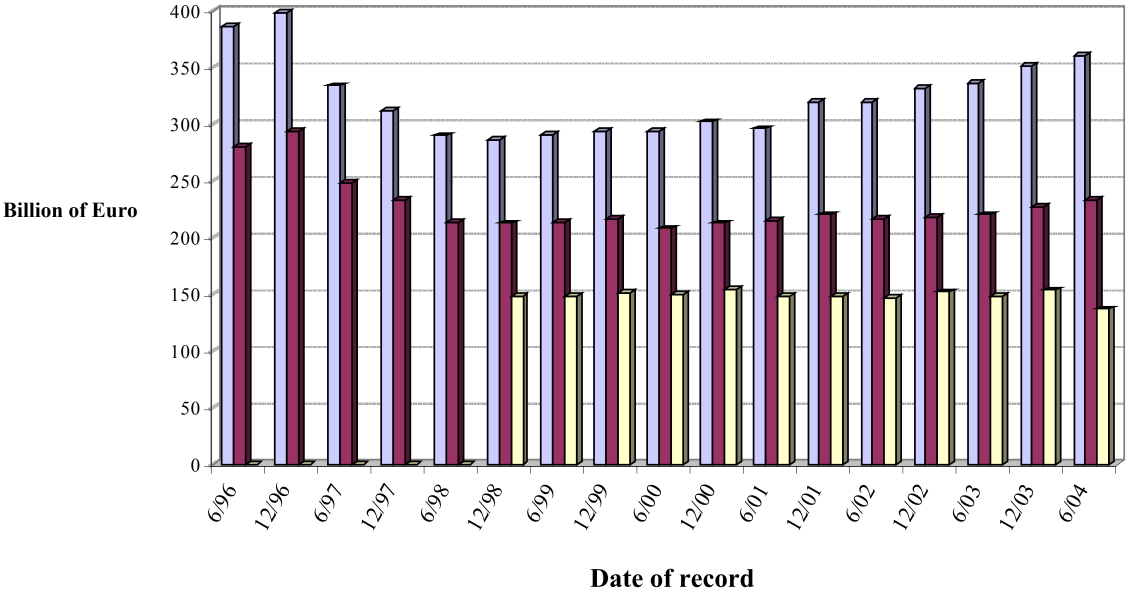
RF below the ceiling of 20.000 Euro per depositor, which, according to art. 27, paragraph 8 of the Statutes of the Fund, are to be reimbursed within three months from a bank's liquidation, grew by 6% comparing with June 2003: they represent 64,85% of total RF.

Table 2
Evolution of Reimbursable Funds by FITD

Date	RF up to 103.291,38 Euro		RF up to 20.000 Euro		Deposits up to 20.000 euro
	Bln. Euro	Bln. Lire	Bln Euro	Bln. Lire	Bln Euro
Jun-96	386,7	748.734	281,0	544.159	0
Dec-96	398,3	771.252	293,9	569.056	0
Jun-97	334,4	647.401	249,1	482.271	0
Dec-97	311,8	603.718	233,5	452.185	0
Jun-98	290,2	561.893	213,8	413.927	0
Dec-98	286,0	553.798	212,9	412.198	148,7
Jun-99	290,5	562.448	213,3	413.038	148,5
Dec-99	294,6	570.362	216,5	419.155	151,9
Jun 00	293,8	568.874	208,4	403.439	150,1
Dec-00	302,6	585.827	213,0	412.509	154,9
Jun 01	296,3	573.804	214,7	415.748	148,5
Dec-01	319,5	618.638	220,5	426.948	148,6
Jun-02	319,7	619.026	216,5	419.202	146,8
Dec-02	331,8	642.454	218,4	422.881	152,2
Jun 03	336,9	652.329	220,5	426.948	148,2
Dec-03	351,9	681.337	226,8	439.078	153,6
Jun 04	356,9	691.239	233,8	452.700	136,9

Source: FITD Elaborations of periodical data

Graph 1
Time series RF of member banks



Blu = RF up to 103.291,38 € **red** = RF up to 20.000 € yellow = deposits up to 20.000 €

Graph 1 shows the evolution of RF from June 1996 to June 2004 and points out the consolidation of the growing trend started in 1999, caused by a reduction recorded between 1997 and 1998 and due to a Statutory change that eliminated the guarantee of 75% for the 800 millions of lira following the limit of 200 millions (103.291,38 euro) still in force.

On the contrary, the RF up to 20.000 euro (that also comprehend the first 20.000 euro of deposits superior to said limit) present a more reduced variation and are around 220 million of euro. Between December 1997 and June 2004, their weight on the total diminished from a bit less than 75% to about 65%.

Within RF up to 20.000 euro, deposits inferior to said limit reduced their weight step by step, shifting from 52% of December 1998 to 38% of June 2004.

The amendment of the monitoring system

As regards the amendments of the banking system, the FITD verified the set of ratios used for monitoring the members' riskiness.

The study carried out by the Fund during 2003, whose aim was that of evaluating the capability of the FITD ratios to discriminate between wealthy banks and banks in a critical position, produced an adjustment of the thresholds of evaluation established in 1996.

On the basis of that research, the Board processed the changes, approved at the General Meeting of February 18, 2004, (consequently modifying the Statutes), and applied them by June 2004 (Table 3).

Referring to the thresholds of ratio A1, a derogation was introduced in the Statutes for data of 2004, to allow a gradual transition for the new thresholds.

Thresholds in force up to December 2003

Legend	Normal	Attention	Warning	Violation
Indicator A1: Net Doubtful Loans /Shareholders'equity	up to 40 %	up to 60 %	up to 100 %	more than 100 %
Indicator B1: Capital for Supervisory Purposes/Supervisory Capital Requirements	more than 120 %	inferior to 120 %	inferior to 100 %	inferior to 80 %
Indicator C: Maturity Transformation Rules	3 rules respected	1 rule not respected	2 rules not respected	3 rules not respected
Indicator D1: Overhead Costs/ Net Operating Income	up to 70 %	up to 75 %	up to 85 %	more than 85 %
Indicator D2: Loan Losses /Gross Income	up to 50 %	up to 60 %	up to 80 %	more than 80 % or Gross income < 0

Thresholds in force by June 2004

Legend	Normal	Attention	Warning	Violation
A1: Net Doubtful Loans/Shareholders'equity	0-20	20-30	30-50	More than 50%
Coeff_A1	0	2	4	8
B1: Capital for superv. proposal/Superv. capital requirements	More than 110%	100-110	90-100	Less than 90%
Coeff_B1	0	1	2	4
C: Maturity transformation rules	3 rules respected	1 rule not respected	2 rules not respected	
Coeff_C	0	1	2	
D1: Overhead costs/Net operatine income	0-70 or Overhead costs =0	70-80	80-90	More than 90% or Net operat. income <0
Coeff_D1	0	1	2	4

The analysis that follows is based on financial ratios of last year, taking in consideration both data of June 2003 and December 2003 referring to the old Statutes, and of June 2004 applying the new one.

Table 4 compares the distributions of number of banks and of RF according to Statutory Class, during the three semesters.

Table 4
Distribution of banks according to Statutory Class

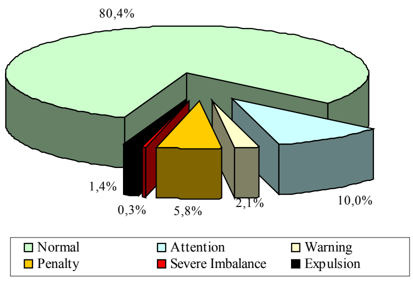
Statutory Position	30/06/2003		31/12/2003		30/06/2004	
	n° banks	*% RF*	*n° banks*	*% RF*	*n° banks*	*% RF*
Order	201	72,1	182	83,6	234	92,3
Attention	26	19,4	20	3,3	29	5,9
Warning	30	6,7	40	9,4	6	0,5
Penalty	29	1,2	42	3,6	17	1,2
Severe Imbalance	8	0,5	7	0,1	1	0,0
Expulsion	1	0,1	0	0,0	4	0,1
Total Banks	295	100	291	100	291	100

Source: FITD – Bank of Italy Statutory Reports

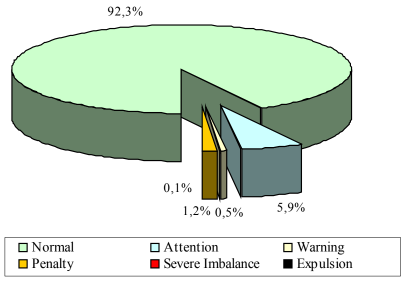
Consequently to the application of the new Statutes, it is possible to see that the number of banks classified in Order has increased of 33 units, compared with June 2003, and of 52 compared with December 2003. The number of banks in Warning, Penalty and Severe Imbalance has diminished comparing both with June and December 2003.

Among the most relevant statutory changes, it is important to underline the one regarding those banks that have Reimbursable Funds equal to zero. Considering the risk they cause to the consortium, these institutions have no weight; consequently, the ratios of risk and profitability are considered insignificant. This change, while integrating the old Statutes, seems to be more justified if considering the role of the monitoring system of FITD as a mechanism for correcting the variable contribution quota of each member bank on the basis of its riskiness. These institutes have RF equal to zero, variable quota is null and riskiness is uninfluent.

Graph 2
Distribution of member banks according to Statutory Class



Graph 3
Distribution of RF according to Statutory Class



In June 2004, 90,4% of member banks were in the Low risk classes (Order or Attention) with RF equal to 98,2%. Banks in Medium risk classes (Warning or Penalty) were 7,9%, with a percentage of RF equal to 1,7%. Finally, banks classified in High risk classes (Severe Imbalance or Expulsion) were 1,7%, with RF equal to 0,1% of the total.

Analysing the weighed average values of balance sheet ratios, A1 appears to be stable, B1 records a grow and there is the usual fluctuation between data of June and December for ratios D1 and D2 (Table 5).

Table 5
Weighed average values of financial indicators

Indicators		*Date*		
		30/06/2003	*31/12/2003*	*30/06/2004*
A1	Net Doubtful Loans/ Shareholders'equity	11,04	11,4	11,05
B1	Capital for Supervisory Purposes/ Supervisory Capital Requirements	200,31	207,6	210,48
C	Maturity Transformation Rules	N.C.	N.C.	N.C.
D1	Overhead Costs/ Net Operating Income	57,8	60,07	59,17
D2	Loan Losses/ Gross Income	20,44	33,37	23,83

Source: FITD – Bank of Italy Statutory Reports

Table 6 shows data with regards to banks, to RF and to weighed average values, divided by geographical area, for the three dates in exam.

Table 6
RF and average values according to Geographical area

Data	AREA	Banks	RF	A1	B1	D1	D2
June 03	NORTH	177	228.325.174.013	6,81	203,28%	57,46%	19,12%
	CENTRE	84	81.697.400.648	16,76%	192,89%	55,53%	23,63%
	SOUTH	34	26.902.279.145	48,40%	196,63%	75,09%	23,60%
Dec 03	NORTH	172	230.065.427.357	7,49	211,99%	58,71%	30,78%
	CENTRE	84	84.778.784.373	16,56%	200,93%	60,02%	38,74%
	SOUTH	34	34.108.836.423	40,28%	180,85%	75,95%	48,88%
June 04	NORTH	173	233.469.626.551	7,42	216,05%	59,10%	22,68%
	CENTRE	84	85.149.043.695	16,46%	202,18%	56,46%	25,96%
	SOUTH	34	38.377.660.101	35,99%	176,48%	69,84%	28,04%

Source: FITD - Bank of Italy Statutory Reports

In June 2004, northern banks represented 59,45% of the consortium versus 28,86% of banks of central area and 9,44% of banks from the south. The RF were distributed for 65,4% in the north, 23,8% in the centre and 0,8% in the south.

It is interesting to observe how weighed average values, geographically divided, reflect very different economic conditions. The ratio A1 is equal to 7,42% for northern banks; that percentage becomes 16,46% for banks of central area and reaches almost 36% in the south.

With regard to ratio B1, northern banks are more capitalized (216,05%) than those of the centre (202,18%) and of the south (176,48%).

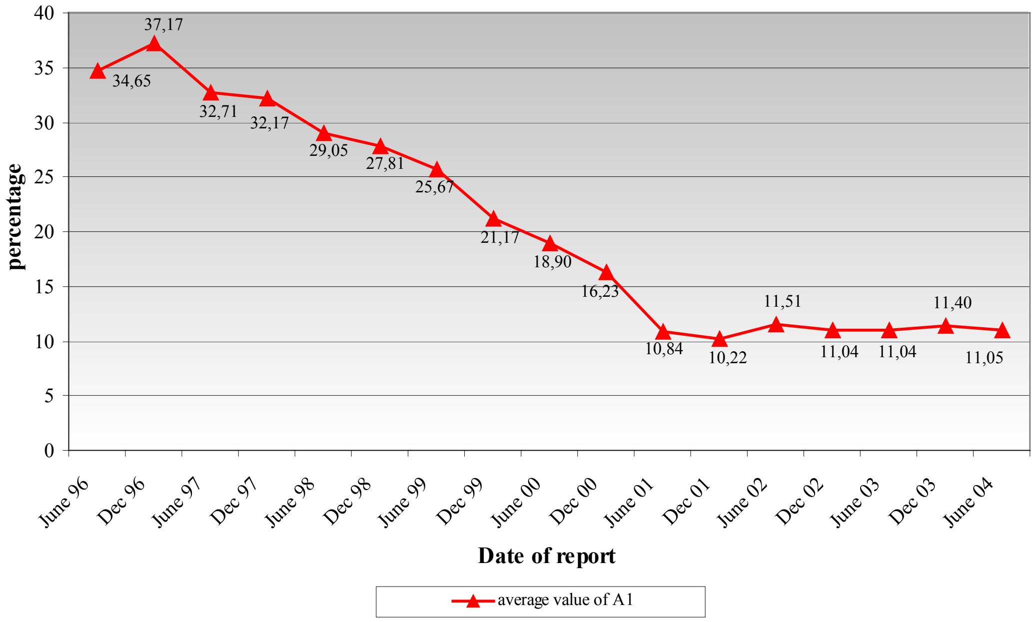
Comparing the three dates, it is clear that southern banks have significantly reduced the incidence of net doubtful loans on shareholders equity, while northern banks have a better B1 and slightly increased the other ratios.

Risk profile

The average value of the Risk indicator A1 (Total Net Doubtful Loans/ Shareholder's equity + Subordinated liabilities) of the last six semesters appeared to be constant, around 11%, far from 40% limit, the borderline between the Normal class and the Attention one till December 2003, reduced of 30% for 2004 and fixed in 20% starting from June 2005 (Graph 4).

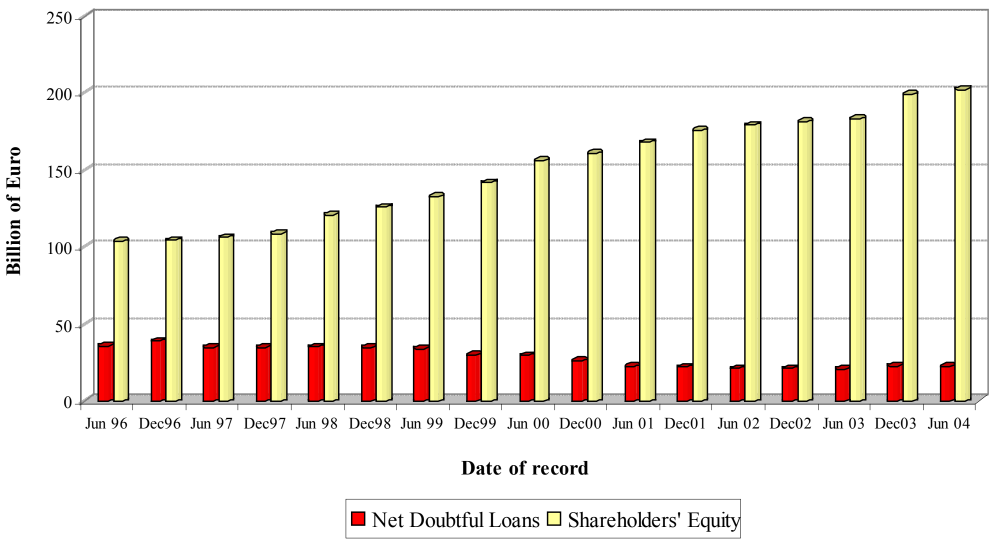
After having continuously decreased until December 2001, this indicator seems to have settled around the present values.

Graph 4
A1 performance from June1996 to June 2004



Total Net Doubtful Loans (A1 numerator) remained stable, thus showing that loan quality did not deteriorate in spite of the persisting difficulty in overcoming the European economic slowdown. Shareholder's equity (A1 denominator) recorded in June 2004 remained stable comparing with December 2003, slightly increasing if comparing with the previous year (Graph 5).

Graph 5
Net Doubtful Loans and Shareholder's equity from June 1996 to June 2004



Analysing the distribution of member banks according to classes, there are not relevant changes between the two dates of 2003.

Light differences with June 2004, imputable to the amendment of the Statutes, can be seen in the shifting of almost 5,5% of RF from the Order class to that of Attention (Table 7). Two banks with A1 in Violation class have RF equal to zero, and are included among those that do not raise deposits by the guaranteed customers directly.

Table 7 – Indicator A1: Distribution of banks according to classes*

Date of Record	**Normal < 40%**		**Attention < 60%**		**Warning < 100%**		**Violation > 100%**	
	banks	*% RF*	*banks*	*% RF*	*banks*	*% RF*	*banks*	*% RF*
30/06/2003	284	97,52	6	2,46	3	0,02	2	0,00
31/12/2003	279	97,52	6	2,47	3	0,01	3	0,00
30/06/2004	274	91,91	10	8,02	5	0,07	2	0,00

***Thresholds as of June 2004 are those reported in Table 3.**
Source: FITD - Bank of Italy Statutory Reports

Solvency profile

The average value of indicator B1 (Capital for Supervisory Purposes / Supervisory Capital Requirements) as of June 30, 2004, overcame the threshold of 210%, the highest value from June 1996, thus strengthening the hypothesis of an increasing capitalization of the Italian banking system as a whole (Graph 6).

Graph 6
B1 performance from June1996 to June 2004

The number of member banks with B1 in the Normal class increased during the last year of 20 units, with the consequent growth of RF from 91,89% to 97,05%; this made the solvency profile the most respected ratio used in the FITD monitoring system. This change seems to be balanced by the reduction of 23 banks, with almost 5% of RF, within the Attention class.

Table 8 – B1 Indicator: Distribution of banks according to classes*

Date of Record	**Normal > 120%**		**Attention < 120%**		**Warning < 100%**		**Violation < 80%**	
	banks	*% RF*	*banks*	*% RF*	*banks*	*% RF*	*banks*	*% RF*
30/06/2003	255	91,89	35	7,71	3	0,14	2	0,26
31/12/2003	258	91,14	26	8,13	6	0,57	1	0,15
30/06/2004	275	97,05	12	2,86	2	0,02	2	0,07

****Thresholds as of June 2004 are those reported in Table 3.***
Source: FITD - Bank of Italy Statutory Reports

Maturity transformation profile

In regards to the Maturity Transformation profile (C), with the Statutory review of February 2004, the change of the supervisory rules by Bank of Italy (circular letter n.358608 of 22/12/2003) was implemented. Besides integrating Rules 2 with 3, said change enables member banks belonging to banking groups to receive an evaluation of the Maturity Transformation profile on consolidated basis.

Data of June 2004, commented here, do not take into consideration the modification described above, as the related information were not available yet, and still refers to the three individual rules.

As regards to the distribution of indicator C according to classes, the number of banks that respects all the three rules decreased by 28, while the amount of RF decreased of about 6% (Table 9).

The number of member banks in the Attention and Warning classes has increased respectively by 17 and 7, while the RF by 2,23% and 4%. No bank was classified in the Violation class within the three analysed semester.

Table 9 – Respect of Supervisory Maturity Transformation

Date of Record	**Normal 3 rules respected**		**Attention 1 rule not respected**		**Warning 2 rules not respected**		**Violation 3 rules not respected**	
	banks	*% RF*	*banks*	*% RF*	*banks*	*% RF*	*banks*	*% RF*
30/06/2003	272	83,41	12	7,03	11	9,55	0	0,00
31/12/2003	268	86,03	11	12,13	12	1,84	0	0,00
30/06/2004	244	77,17	29	9,26	18	13,57	0	0,00

Source: FITD - Bank of Italy Statutory Reports

Profitability profile

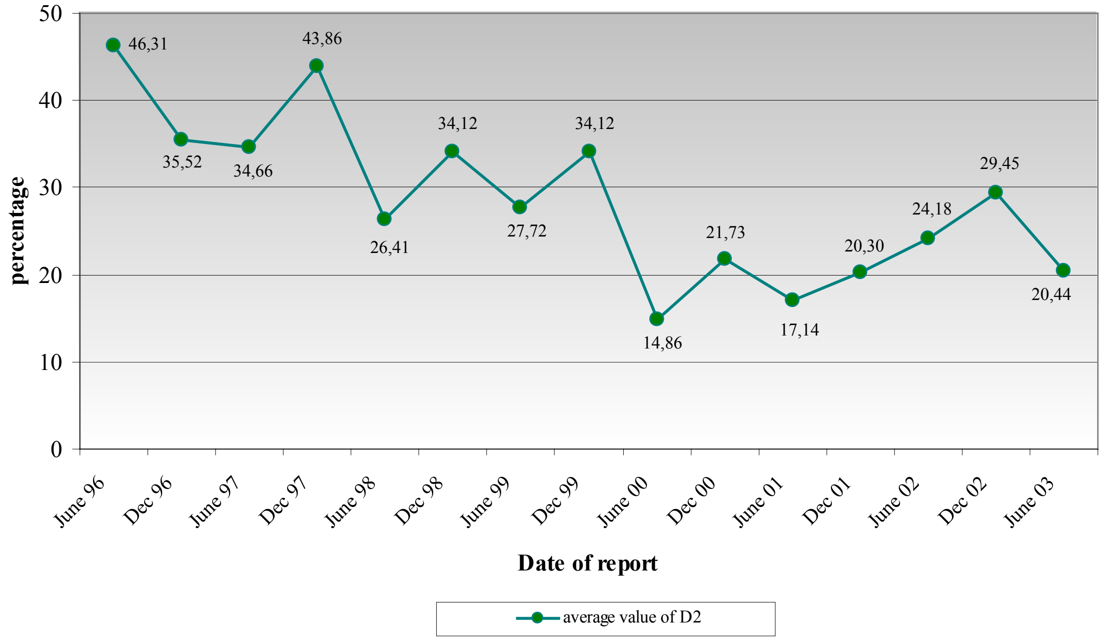
Profitability profiles D1 (Overhead costs/Net Operating Income) and D2 (Loan Losses, net of recovery/Gross Income) are traditionally those with the biggest number of banks in the Violation class (Graphs 7 and 8).

Graph 7
D1 Performance from June 1996 to June 2004

With regards to D1, it seems possible to find some trends, as an increase in profitability between June 1996 and December 2001 and a deceleration by this date till nowadays.

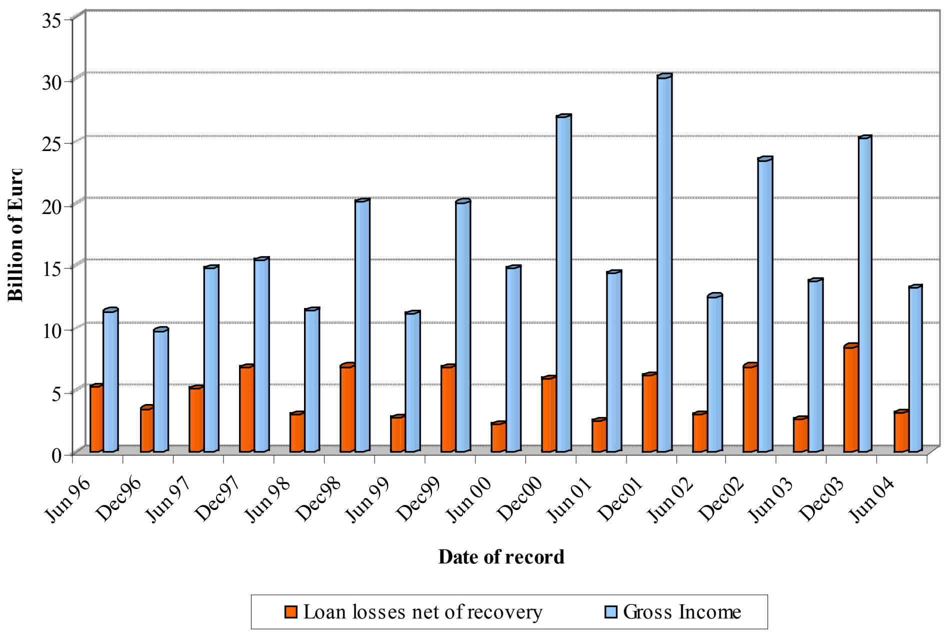
In the two year period of '96 – '97 there was a stability around an average value of the ratio of about 66%. This percentage decreased to about 61% during '98 – '99 and went further down to 55% between 2000 and 2001. The last 5 date of June 2002 – June 2004, showed a recovery of the average value around 59%.

Graph 8
D2 performance from June 1996 to June 2004



The swinging performance showed in the graphs (even sharper for the ratio D2) is due to the fact that income statement data in June and December refer to different time intervals (respectively, the semester and the year). Because not all of the income statement data are semi-annual, a correct comparison between data should be done on a twelve month basis.

Graph 9
Loan losses, net of Recovery, and Gross Income
from June 1996 to June 2004



The analysis of distribution of banks according to classes related to indicator D1 evidences that, between June 2003 and June 2004, there was an increase in the number of member banks classified in the Attention class (+16), a reduction of those in the Warning class (-12) and Violation (-10) (Table 10). With regard to RF, there was a shift towards the Attention class (+24,26%) from those of Normal (-13,25%) and of Warning (-9,48%).

Table 10 –D1 Indicator: Distribution of banks according to classes*

Date of Record	**Normal < 70%**		**Attention < 75%**		**Warning < 85%**		**Violation > 85%**	
	banks	*% RF*	*banks*	*% RF*	*banks*	*% RF*	*banks*	*% RF*
30/06/2003	185	76,67	39	8,59	24	10,97	47	3,77
31/12/2003	175	81,49	41	12,16	20	1,93	55	4,41
30/06/2004	187	63,42	55	32,85	12	1,49	37	2,25

***Thresholds as of June 2004 are those reported in Table 3.**

Source: FITD - Bank of Italy Statutory Reports

Regarding D2, there was a reduction of 10 banks in the Normal class, with a corresponding decrease of about 15% of RF. This reduction of the less risky class was balanced by the increase of 13 banks, in the Attention class of 15,48% of RF. The number of banks in Violation (32) remains significant, with RF equal to 3,47%.

Table 11 –D2 Indicator: Distribution of banks according to classes *

Date of Record	**Normal < 50%**		**Attention < 60%**		**Warning < 80%**		**Violation > 80%**	
	banks	*% RF*	*banks*	*% RF*	*banks*	*% RF*	*banks*	*% RF*
30/06/2003	237	94,37	14	0,40	8	0,55	36	4,67
31/12/2003	206	80,79	18	9,24	13	2,91	54	7,06
30/06/2004	227	79,86	27	15,88	5	0,79	32	3,47

***Thresholds as of June 2004 are those reported in Table 3.**

Source: FITD - Bank of Italy Statutory Reports

During this past year the new system of financial indicators came into force. Ratios were left as they were, but new thresholds of evaluation have been introduced, along with a new way of calculating the Statutory Position according to the Aggregate Indicator.

Year 2004 was also the starting point for the research project on consolidate financial ratios, to be considered together with the individual ones in the riskiness evaluation of those banks belonging to banking groups, according to art. 1 of the Appendix of the FITD Statutes.

On the basis of consolidated data received by Bank of Italy, new indicators were created along with the simulation of the application of data of banking groups.

This project is in its final stages of elaboration. During 2005, when IAS/IRFS will be applied to balance-sheets for the first time, consolidated data referred to 2004 will be provided. This will allow a wider analysis in terms of time that could be functional to better determinate thresholds of risk and the weighing mechanism too.

The results of the research project "Internal Ratings and Credit Risk Control" were presented in March, at Università Bocconi; this work was developed in collaboration with NewFin-Bocconi, and co-ordinated by G. De Laurentis, F. Sàita and A. Sironi.

The first part of this research examines the problems related to the introduction, development and use of an internal rating system. Then, representatives from the biggest Italian banking groups illustrate their experiences upon themes of internal ratings, each of them referring to a specific aspect. Finally, some of the main regulation and supervisory problems connected to the adoption of internal ratings are analysed.

A new telematic system, useful for communication between FITD and its member banks, is now operative.

This system, based on the internet https protocol, is characterised by a private channel for each member bank, within the Reserved Area of the FITD web site, dedicated to the exchange of data and information (i.e. financial indicators along with Statutory position and Contribution Base). The new system came into force by data referred to December 31, 2003.

By data as of June 30, 2004, received and elaborated during December, the "Feedback data" will have an electronic format. This information, which was in a written format up to now, will be personalised per each member bank and will be able to compare data of the individual institution with those of the whole system.

As regards the international activity of FITD, the official web site of the European Forum of Deposit Insurers (EFDI) was created and launched on the web.

Referring to Bilateral Agreements between the Italian Fund (as host country) and the foreign Fund to which the bank with an Italian branch adhere, the FITD offices have undertaken an analysis project that was concluded with a first draft of the agreement.

The aim of the document is, first of all, that of facilitating relationships between involved countries as regards information sharing, mainly relating to those balance sheet data that are necessary for the calculation of the risk based contribution, and incrementing the co-operation in case of reimbursement claims. Moreover, manners and time for interventions.

This model will be proposed to those countries that, like the Netherlands and Slovenia, have banks with branches adhering to the Fund in order to increment their level of coverage.

During 2004, trying to be as much collaborative as possible concerning the Guarantee of Deposits, the Fund met delegations of OXERA (English consulting society), of the Italian National Guarantee Fund and representative of the Polish Central Bank.

The FITD started a new research project on the effects resulting from the introduction of the new international accounting principles (IAS/IRFS) for the banking institutions.

The project, that involves some exponents from the academic world, the consulting and some major banks, should be concluded within April 2005 and presented at Università Bocconi.

Themes discussed in the research are the impacts of IAS/IRFS in the management and organization of the bank, internal and external control systems, management choices, the redaction of the consolidated balance and the relationships between banks and firms. Some major banks contribute to the research with their direct experience on the matters, describing the effects of the new criteria of credits evaluation, as well as bonds and derivatives.

In August 2004 the members of the European Forum of Deposit Insurers (EFDI) elected Roberto Moretti to Chairman.

Nowadays, the Forum counts 46 Deposit Insurance Schemes, representing 35 Countries of the European Area.

Different meeting and seminars were organised in the second half of the year among representatives of the member Schemes, with the aim of promoting European co-operation in the field of deposit insurance, and also of facilitating exchange of expertise and information on issues of mutual interest and concern.

In September, EFDI organised its first seminar on deposit insurance in ***Budapest***, with the collaboration of the National Deposit Insurance Fund of Hungary. The meeting was dedicated to the 10 new EU countries.

The aim of the conference was to contribute to a clearer understanding of each deposit guarantee system, and to discuss the implementation of the Directive on Deposit Insurance 94/19/EEC in the legislation of the new EU member countries.

On November 8 and 9, 2004, the European Forum of Deposit Insurers in collaboration with the Banca Antonveneta, held its second Biannual Meeting in Padua, with a wide participation of member Schemes and representatives of the national and international institutions, (European Central Bank, European Commission, The World Bank and Bank of Italy).

Several panel discussions were held and many topics discussed, including: relationship between Supervisory Authorities and Guarantee Schemes, the EU Directive on deposit insurance, Bilateral Agreements between Schemes.

An important contribution to the meeting was given by the offices of the FITD, regarding the results of a questionnaire conducted among the EFDI members, which discussed the main features and differences among the existing European Deposit Insurance Schemes.

The survey, thanks to the cooperation of the members, will be regularly updated and integrated, in order to create a complete informative basis, which would be a support especially for those countries that will join the European Union.

An operative contribute of the FITD at this meeting was the presentation of the EFDI web site, which was acclaimed by the audience and launched on-line in February.

EFDI organised the seminar "***Deposit Insurance and Basel II***", on November 30 and December 1, 2004 in Rome, (Capitalia headquarters), sponsored by Banca Intesa, Banca Monte dei Paschi di Siena and Unicredit Banca. Relevant members of banking environment and national and international academics participated in the meeting: besides Prof. E. Altman (New York University), there were also Prof. G. di Giorgio (Università Luiss, Rome), Prof. R. De Lisa (Università di Cagliari), representatives of Bank of Italy, ABI, Confindustria, Federcasse, Asspopol, FGCC, Capitalia, BNL and Unicredito.

Home Page of web site of EFDI

Past interventions

During this accounting year, the Fund managed some past interventions not completely defined.

This activity, developed together with the organs of the liquidation procedures, had the purpose to examine all possible solutions for allowing a complete definition of the ongoing processes.

Here follows a description of the "status" of each interventions and of the activity carried out by the Fund.

Banco di Tricesimo: due to the delay in the fulfilments necessary for closing this intervention, the economic liquidation of the Banco di Tricesimo remained unchanged.

These fulfilments are supposed to be completed during 2005, so that the liquidator officer would be able to proceed to the closure of the activity, while this Guarantee Fund will undertake its commitments for a possible continuation of the existing action.

Banca di Girgenti: following the natural judicial evolution, year 2004 undertook a precise acknowledgment of the processes, and the situation remained unchanged in its general features.

Cassa di Risparmio di Prato: no sound pronunciation was expressed on this judicial dispute, so the proceedure can not be considered closed.

According to Article 21 of the Statutes, the General Meeting set participants' commitment in case of interventions to 0,4% of total Reimbursable Funds, as of June 30, 2003, equal to 1.347.499.415,23 euro.

Appendix

Appendix

This appendix contains some tables and graphs in support of the content of the Annual Report.

It contains:

- time series of weighed average values of financial indicators. They offer the analysis of the evolution of the system from June 1996 to June 2004;

- thresholds of the various classes of financial ratios;

- determination of the Statutory Position in correspondence with the value of the Aggregate Indicator, on the basis of 5 ratios;

- distributions of frequencies as of 30 June 2004 of A1, B1, D1 and D2 ratios and of the Aggregate Indicator.

Interbank Deposit Protection Fund

AVERAGE SYSTEM VALUES

Date	FINANCIAL INDICATORS						Aggregate Indicator	Reimbursable Funds	
	A1	A2	B1	B2	D1	D2		in Bill £ire	in Bill Euro
30/6/96	34,65	5,44	169,44	14,07	67,12	46,31	3,56	751.354	388,0
31/12/96	37,17	5,73	174,48	13,44	65,45	35,52	3,57	770.637	398,0
30/6/97	32,71	5,06	174,41	13,54	66,84	34,66	3,46	647.401	334,4
31/12/97	32,17	4,83	169,57	13,83	66,53	43,86	3,46	603.718	311,8
30/6/98	29,05	4,74	181,08	15,15	58,39	26,41	2,8	561.139	289,8
31/12/98	27,79	4,54	182,05	16,08	62,18	34,12	3,17	553.798	286,0
30/6/99	25,67	4,27	179,62	16,09	59,58	24,84	3,41	562.448	290,5
31/12/99	21,17	3,53	184,49	17,18	62,77	34,1	3,61	570.362	294,6
30/6/00	18,89	3,28	186,55	18,15	54,1	14,86	2,74	568.874	293,8
	A1		B1		D1	D2			
31/12/00	16,23		184,16		57,39	21,73	2,27	585.827	302,6
30/6/01	10,84		186,95		56,01	17,14	1,85	573.804	296,3
31/12/01	10,22		188,87		53	20,3	2,01	618.660	319,5
30/6/02	11,51		199,94		59,6	24,18	2,25	619.026	319,7
31/12/02	11,04		199,67		60,72	29,45	2,2	642.454	331,8
30/6/03	11,04		200,31		57,8	20,45	1,9	652.329	336,9
31/12/03	11,4		207,6		60,07	33,37	2,28	681.373	351,9
30/6/04	11,05		210,48		59,17	23,83	1,85	691.239	356,9

Thresholds of Indicators

Legend	Normal	Attention	Warning	Violation
A1: Net Doubtful Loans/Shareholders'equity	0-20	20-30	30-50	More than 50%
Coeff_A1	0	2	4	8
B1: Capital for superv. proposal/Superv. capital requirements	More than 110%	100-110	90-100	Less than 90%
Coeff_B1	0	1	2	4
C: Maturity transformation rules	3 rules respected	1 rule not respected	2 rules not respected	
Coeff_C	0	1	2	
D1: Overhead costs/Net operatine income	0-70 or Overhead costs =0	70-80	80-90	More than 90% or Net operat. income <0
Coeff_D1	0	1	2	4
D2: Loan losses/Gross income	0-40 or Loan losses <=0	40-50	50-60	More than 60% or Gross income < 0
Coeff_D2	0	1	2	4

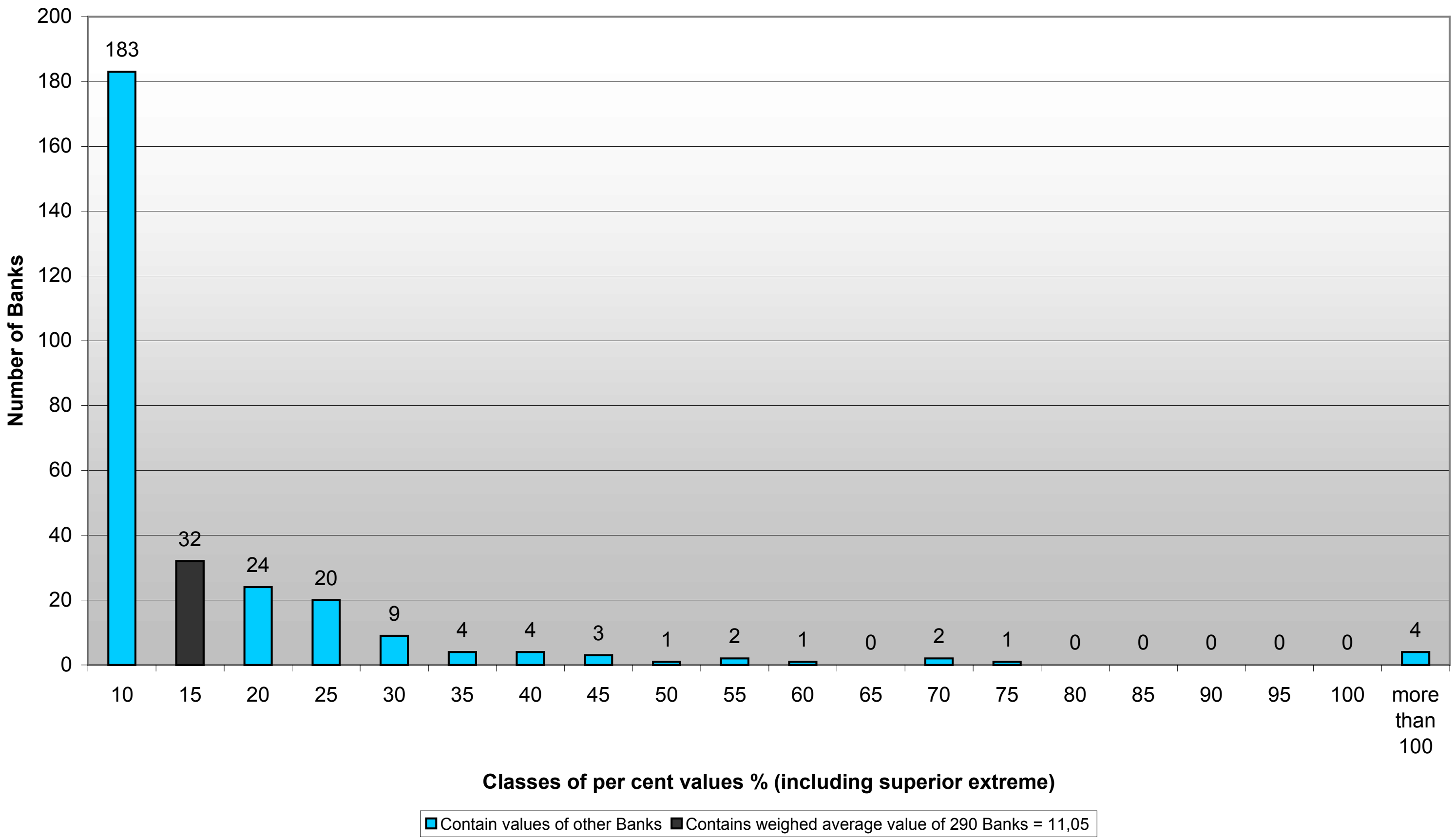
Derogation for A1 in 2004

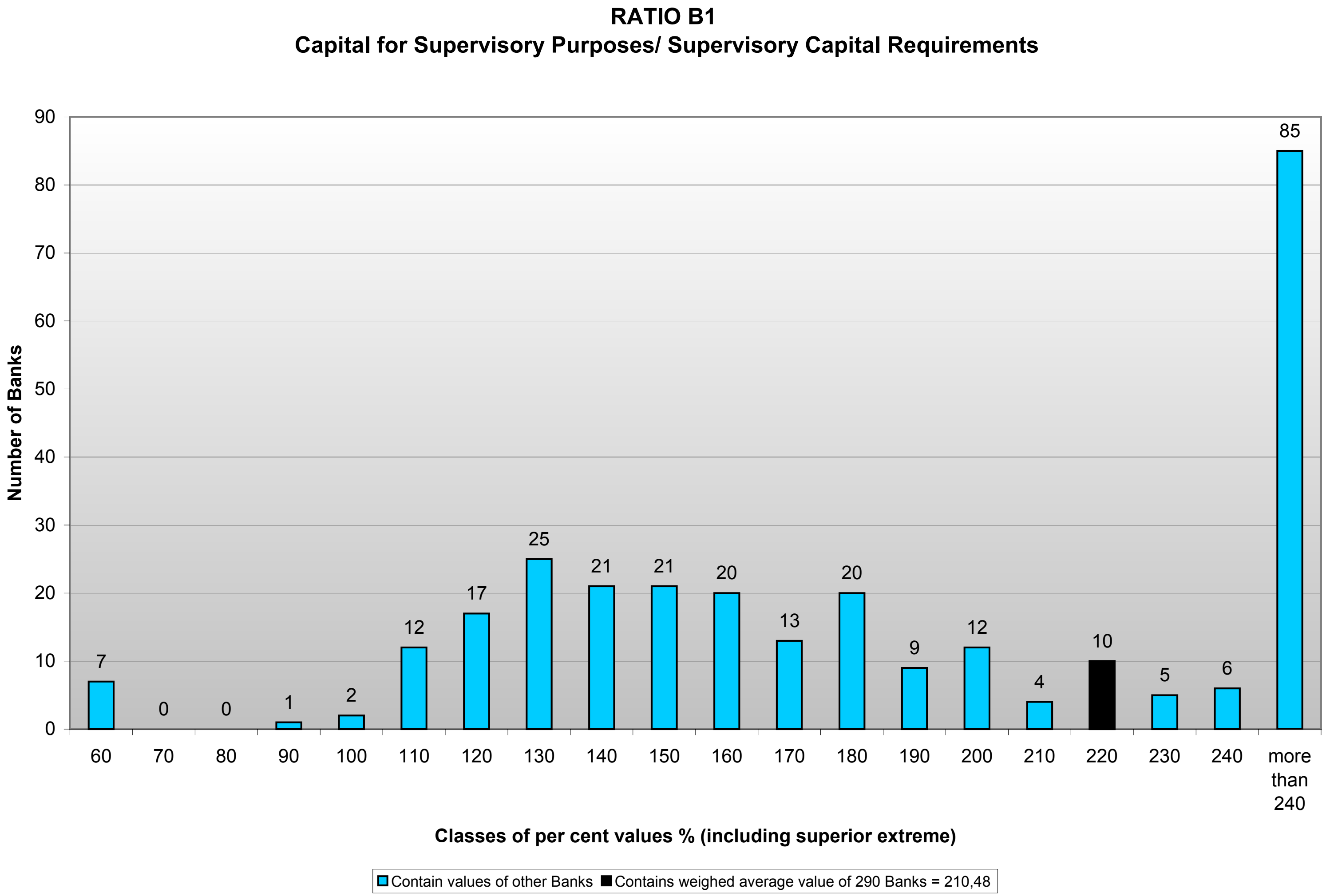
Indicator A1: Net Doubtful Loans/Shareholders'equity	0-30	30-45	45-75	More than 75%
Coeff_A1	0	2	4	8

Interbank Deposit Protection Fund

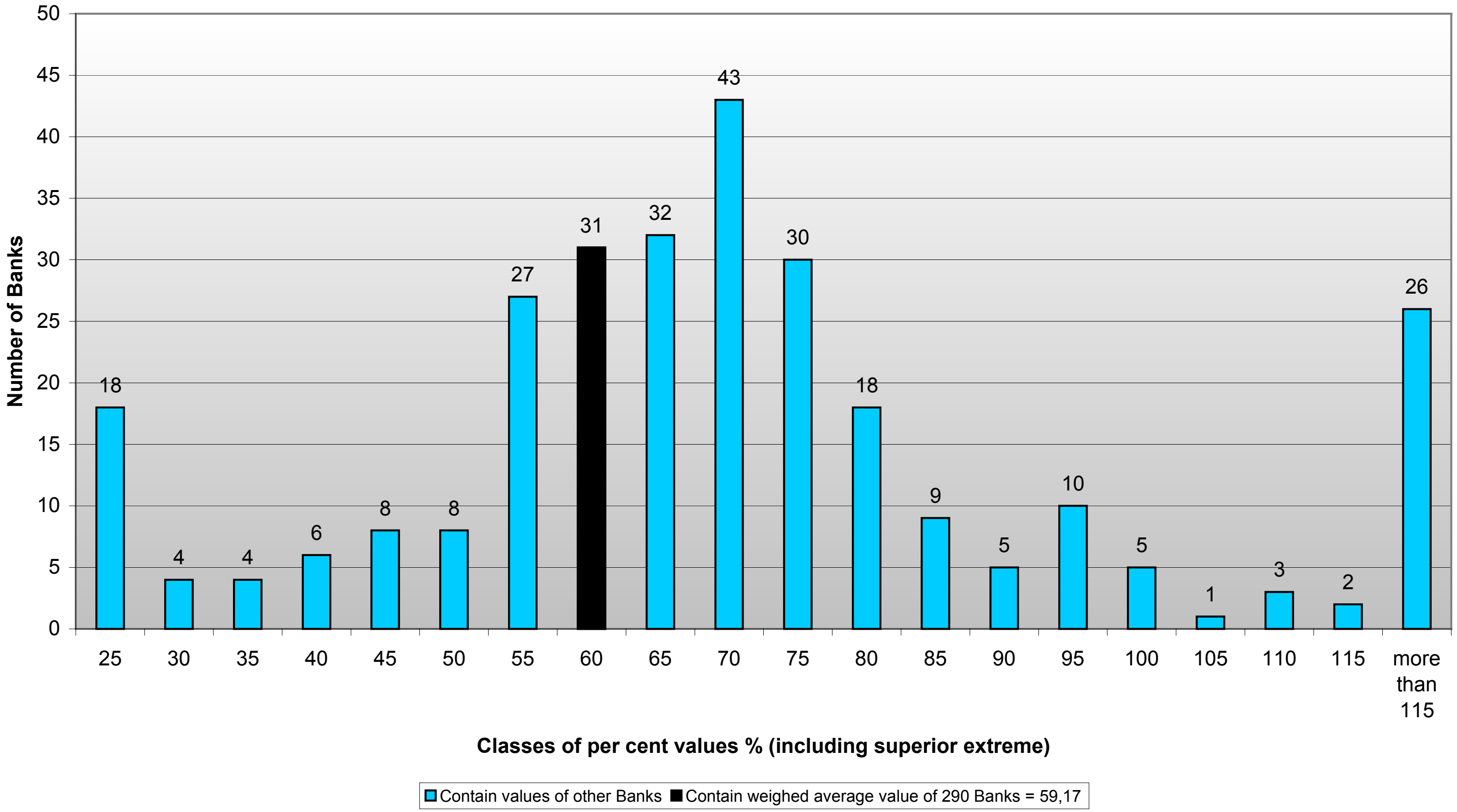
STATUTORY POSITION	
ORDER	AI from 0 to 3
ATTENTION	AI from 4 to 5
WARNING	AI from 6 to 7
PENALTY	AI from 8 to 10
SEVERE IMBALANCE	AI from 11 to 12
EXPULSION	AI more than 12

RATIO A1
Net Doubful Loans/Shareholders' Equity



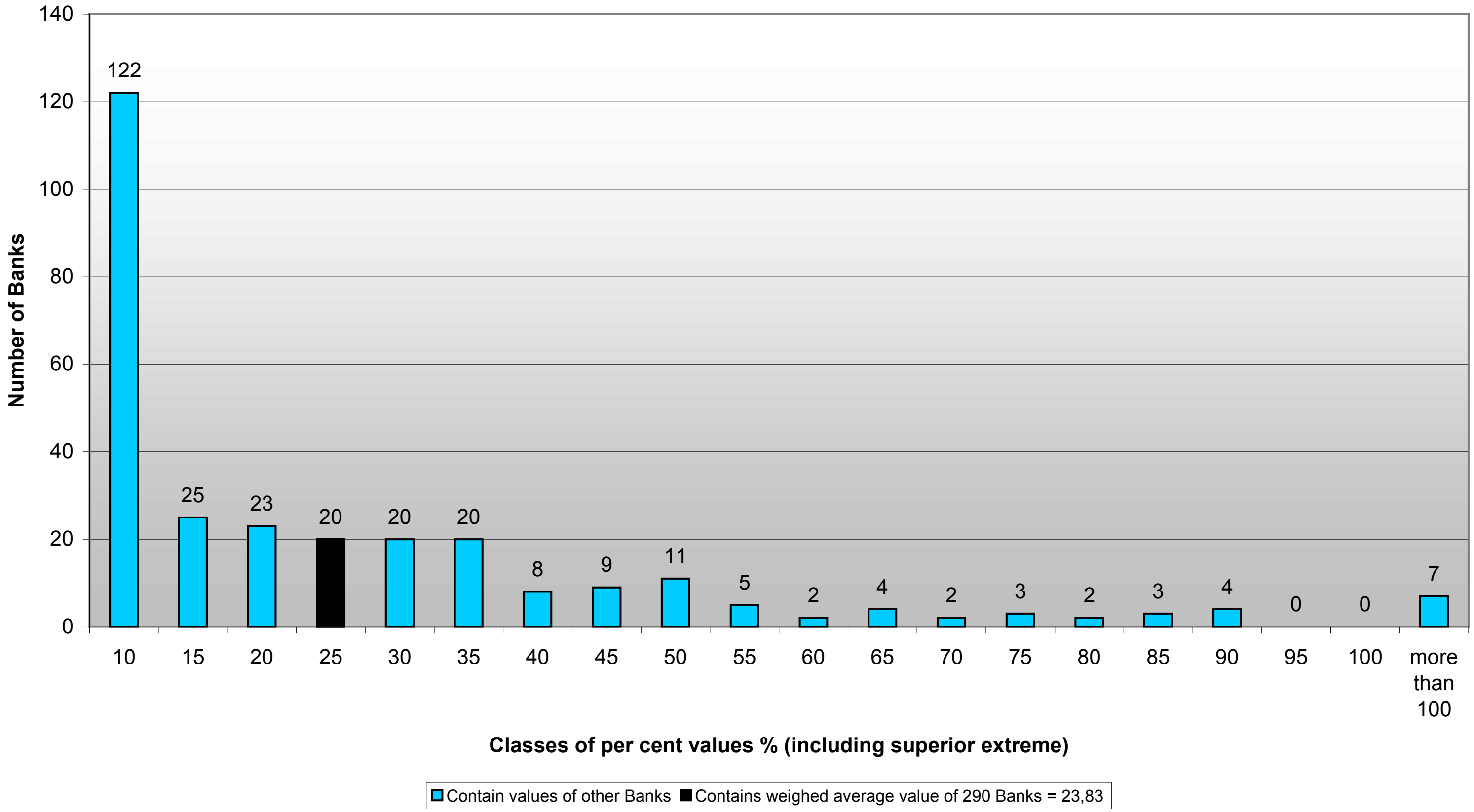

RATIO B1
Capital for Supervisory Purposes/ Supervisory Capital Requirements
Number of Banks
90
80
70
60
50
40
30
20
10
0
7
0
0
1
2
12
17
25
21
21
20
13
20
9
12
4
10
5
6
85
60
70
80
90
100
110
120
130
140
150
160
170
180
190
200
210
220
230
240
more than 240
Classes of per cent values % (including superior extreme)
Contain values of other Banks
Contains weighed average value of 290 Banks = 210,48

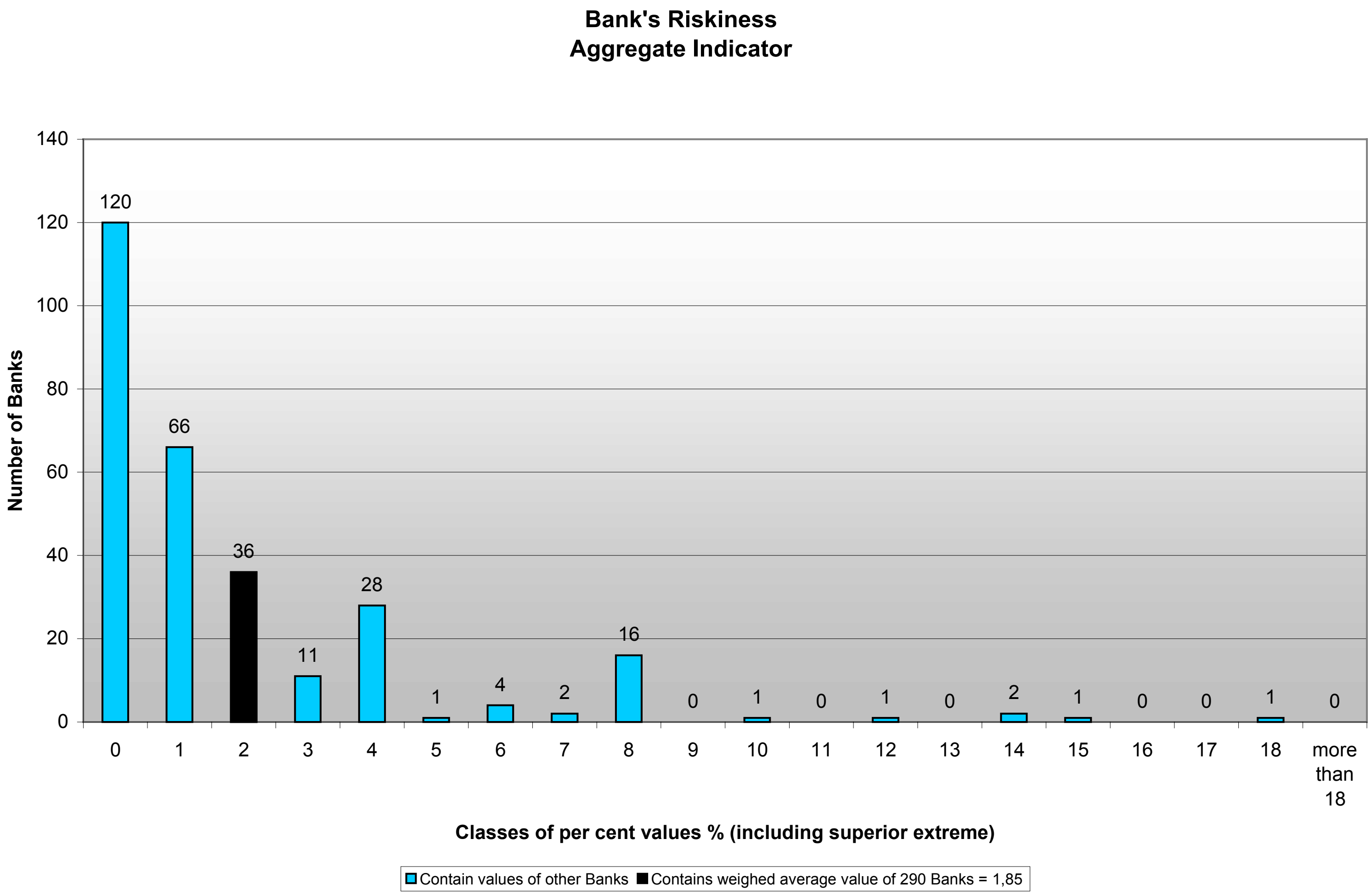
RATIO D1
Overhead Costs/Net Operating Income



Data of *30/06/2004*

RATIO D2
Loan Losses/Shareholder's Equity




Bank's Riskiness
Aggregate Indicator
Number of Banks
140
120
100
80
60
40
20
0
120
66
36
28
11
1
4
2
16
0
1
0
1
0
2
1
0
0
1
0
0
1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
more than 18
Classes of per cent values % (including superior extreme)
Contain values of other Banks
Contains weighed average value of 290 Banks = 1,85