Fondo Interbancario di Tutela dei Depositi

Annual Report 2005

June 2006

This is a translation of the Italian original and has been prepared solely for the convenience of readers and in the event of any ambiguity, the Italian text will prevail.
The Italian version can be downloaded from the FITD web site (www.fitd.it) or can be requested to:

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FONDO INTERBANCARIO DI TUTELA DEI DEPOSITI

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INDEX

The Consortium's evolution

As of 31 December 2005, the number of member banks was 290, having increased from 286 since last December. Of these, 9 are branches in Italy of non European Union banks and 2 are branches of European Union banks. Pursuant to the third paragraph of Article 96 of the Italian Consolidated Banking Act and the third paragraph of Article 2 the Statutes of the Fund, the former 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 voluntarily, in order to raise the level of coverage of their home country schemes up to 103.291,38 Euro per depositor, the amount guaranteed by FITD.

During the year, there were 8 new member banks, 3 mergers, one transfer of assets and liabilities and no withdrawal of memberships (Table 1).

Table 1
Variation in the composition of the consortium
(December 2004 – December 2005)

Event	*Number of banks*
Member banks as of 31 December 2004	286
Merging	3
Transfer of asset and liabilities	1
Withdrawals	0
New member banks	8
Member banks as of 31 December 2005	290

Source: FITD Statutory Reports

214 of the 290 member banks belong to banking groups, while 76 are individual banks. The number of banks that do not raise deposits, namely those whose Reimbursable Funds are equal to zero, is 29. For such banks, on the basis of the rule introduced by the new statutory reforms, a de-penalization is applied on balance sheet indicators, because they do not represent a risk of intervention for the Consortium.

Reimbursable Funds of member banks

According to the data as of 30 June 2005, FITD's total Reimbursable Funds (RF) from FITD amounted to 372 billion Euro, having increased 3,7% with respect to the previous year (Table 2 and Graph 1).

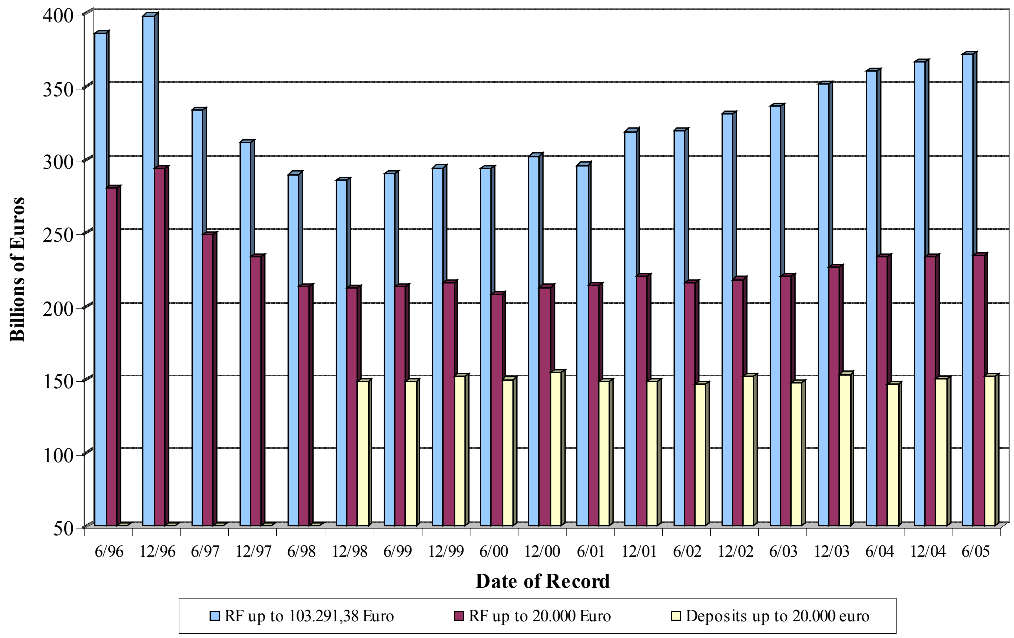
RF up to 20.000 Euro, which must be reimbursed within three months of a bank's liquidation pursuant to Article 27, paragraph 8 of FITD's Statutes, increased by 0,5% with respect to June 2004 and they represent 63,2% of total RF.

Table 2
Evolution of Reimbursable Funds by FITD

Date	*RF up to 103.291,38 Euro*		*RF up to 20.000 Euro*		
	Bln. Euro	*Bln. Lire*	*Bln. Euro*	*Bln.Lire*	*Deposits up to 20.000 Euro*
June-96	386,7	748.734	281,0	544.159	0
Dec-96	398,3	771.252	293,9	569.056	0
June-97	334,4	647.401	249,1	482.271	0
Dec-97	311,8	603.718	233,5	452.185	0
June-98	290,2	561.893	213,8	413.927	0
Dec-98	286,0	553.798	212,9	412.198	148,7
June-99	290,5	562.448	213,3	413.038	148,5
Dec-99	294,6	570.362	216,5	419.155	151,9
June-00	293,8	568.874	208,4	403.439	150,1
Dec-00	302,6	585.827	213,0	412.509	154,9
June-01	296,3	573.804	214,7	415.748	148,5
Dec-01	319,5	618.638	220,5	426.948	148,6
June-02	319,7	619.026	216,5	419.202	146,8
Dec-02	331,8	642.454	218,4	422.881	152,2
June-03	336,9	652.329	220,5	426.948	148,2
Dec-03	351,9	681.337	226,8	439.078	153,6
June-04	360,6	698.143	233,8	452.700	146,9
Dec-04	367,2	710.998	233,5	452.119	150,8
June-05	372,0	720.292	235,0	455.023	152,1

Source: FITD Statutory Reports

Graph 1
Time series RF of member banks



Graph 1 shows the evolution of RF from June 1996 to June 2005; it points out the consolidation of a growing trend that began in 1999, which followed a reduction recorded between 1997 and 1998 that was due to a Statutory change that eliminated the guarantee of 75% of 800 million lire exceeding the 200 million lire (103.291,38 Euro) threshold still in force.

RF up to 20.000 Euro (that also include the first 20.000 Euro of deposits exceeding such limit) show, on the other hand, a more reduced variation and amount to around 235 million Euro. Between December 1997 and June 2005, their weight on total RF diminished from a bit less than 75% to about 60%.

Within RF up to 20.000 Euro, deposits less than such limit have progressively reduced their weight shifting from 52% in December 1998 to 41% in June 2005.

The analysis that follows is based on the performance of financial indicators from the previous year, taking into consideration the data referring to reports of June 2004, December 2004 and June 2005.

In table 3, the distribution of the number of banks and RF are compared on the basis of Statutory Position, for the three semi-annual periods in question.

Table 3
Distribution of Banks, regarding Statutory Position

Statutory Position	30/06/2004		31/12/2004		30/06/2005	
	n° banks	*%RF*	*n° banks*	*%RF*	*n° banks*	*%RF*
Normal	234	92,3	230	85,6	234	82,5
Attention	29	5,9	34	13,1	27	7,9
Warning	6	0,5	3	0,2	6	4,5
Penalty	17	1,2	16	1,1	20	5,2
Severe Imbalance	1	0,0	1	0,0	0	0,0
Expulsion	4	0,1	2	0,0	1	0,0
Total Banks	291	100	286	100	288	100

Source: FITD – Bank of Italy Statutory Reports

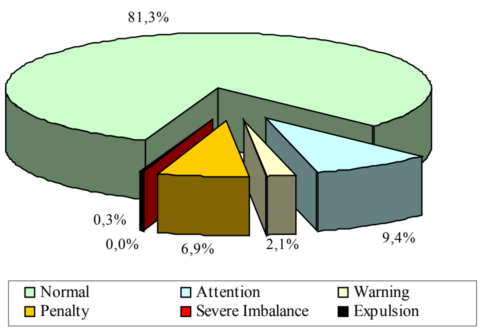
The semi-annual reports that are compared show a relative stablity in the distribution of member banks among the 6 risk positions.

More than 80% of the banks rank in the Normal class, accounting for 82,5% of RF (-10% with respect to June 2004). Also considering the banks in the Attention class, we can observe that the banks at Low Risk, during the three semi-annual periods, accounted for no less than 90% both in terms of number of institutions and in terms of RF.

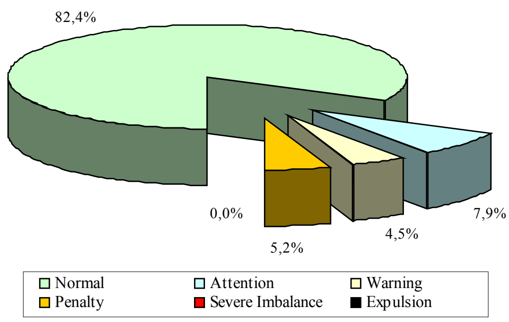
As far as regards the banks at Medium Risk, it is observed how those classified in the Penalty Class, in the three semi-annual periods, always have a greater weight compared to those in the Warning class. Overall, the weight of Medium Risk banks on the whole, changed from 8% to 9% and RF changed from 1,7% to 9,7%.

The banks at High Risk have progressively reduced in number. 5 were recorded in June 2004, 3 in December 2004 and only one in June 2005. All banks involved are moreover classified as "minor", having RF that are scarcely significant for the Consortium.

Graph 2
Member Distribution
with respect to Statutory Position



Graph 3
RF Distribution
with respect to Statutory Position



From the analysis of average weighted values of balance sheet indicators, different trends appear according to the profile in question.

The indicator of risk A1 (Total Net Doubtful Loans / Shareholder's equity + Subordinated liabilities) has decreased for the first time to little less than 10%. On the other hand, the average indicator of capitalization, B1 (Supervisory Capital / Supervisory Capital Requirement) has registered a slight reduction with respect to the two preceding semi-annual periods, remaining in any case well above 110% , which has been fixed as the threshold of Normality. The two average values of profitability indicators both demonstrate an improvement.

Table 4
Average weighted values of indicators

Indicators		***Date***		
		30/06/2004	***31/12/2004***	***30/06/2005***
A1	Net Doubtful Loans / Shareholders' Equity	11,05	11,04	9,9
B1	Supervisory Capital / Supervisory Capital Requirements	210,48	210	204,88
C	Maturity Transformation	N.C.	N.C.	N.C.
D1	Overhead Costs / Net Operating Income	59,17	60,79	57,18
D2	Loan Losses / Gross Income	23,83	29,87	18,92

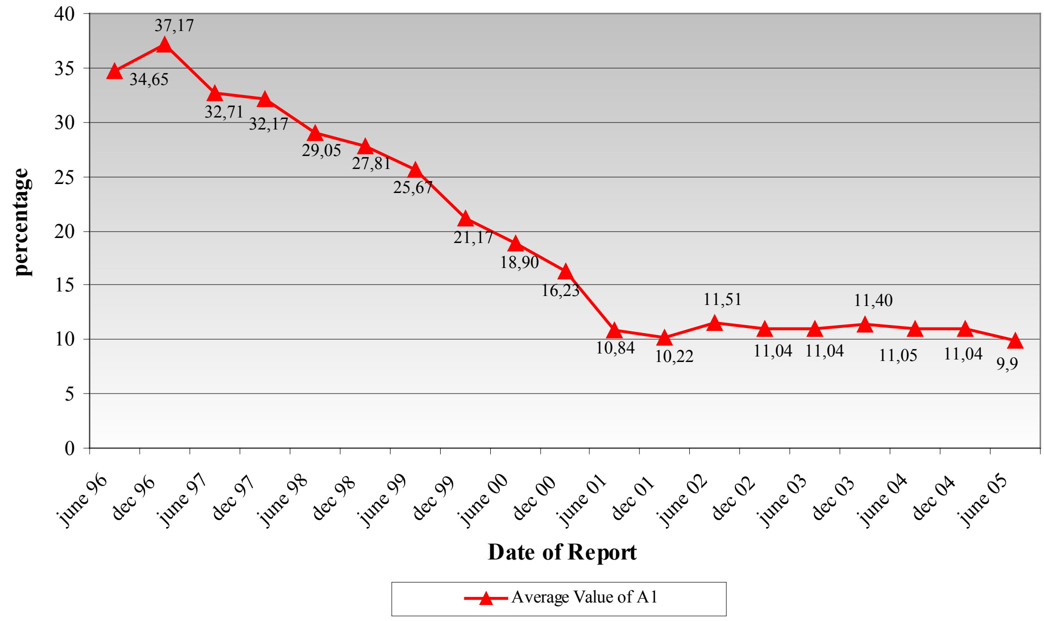
Source: FITD – Bank of Italy Statutory Reports

Risk profile

The average value of the A1 risk indicator (Total Net Doubtful Loans / Shareholder's equity + Subordinated liabilities), as demonstrated previously, reached in June 2005 its lowest value, at 9,9%. This value is far from the borderline limit between the Normal class and the Attention one, fixed at 40% until December 2003, reduced to 30% for 2004 and fixed at 20% as of June 2005.

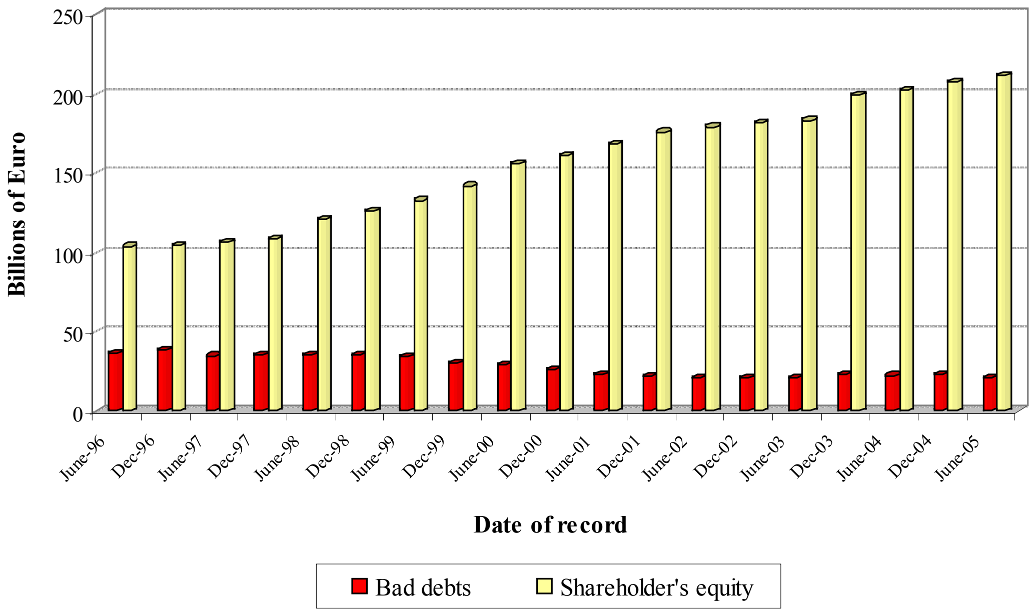
Graph 4 demonstrates how, from 1996 to today, A1 has evolved over time, configuring two different trends. The first, relating to the period December 1996 - June 2001 is signifcantly decreasing; the second, from June 2001 to June 2005, appears stable at about 10-11%.

Graph 4
A1 Performance from June 1996 to June 2005



The data recorded as of June 2005 is the combined effect of a reduction in Total Net Doubtful Loans, that indicates an improvement in the quality of credit, and a slight improvement in Shareholders' Equity.

Graph 5
Net Doubtful Loans and Shareholder's Equity
From June 1996 to June 2005



The comparison between the class distributions for June 2004 and June 2005, demonstrates a non-homogeneous trend due to the statutory changes. In fact, 14 fewer banks are recorded in the Normality class, with a reduction in RF of 15% and a concomitant increase of 7 banks in the Attention class, representing 12% of RF.

Table 7
Indicator A1: Class Distribution of Banks *

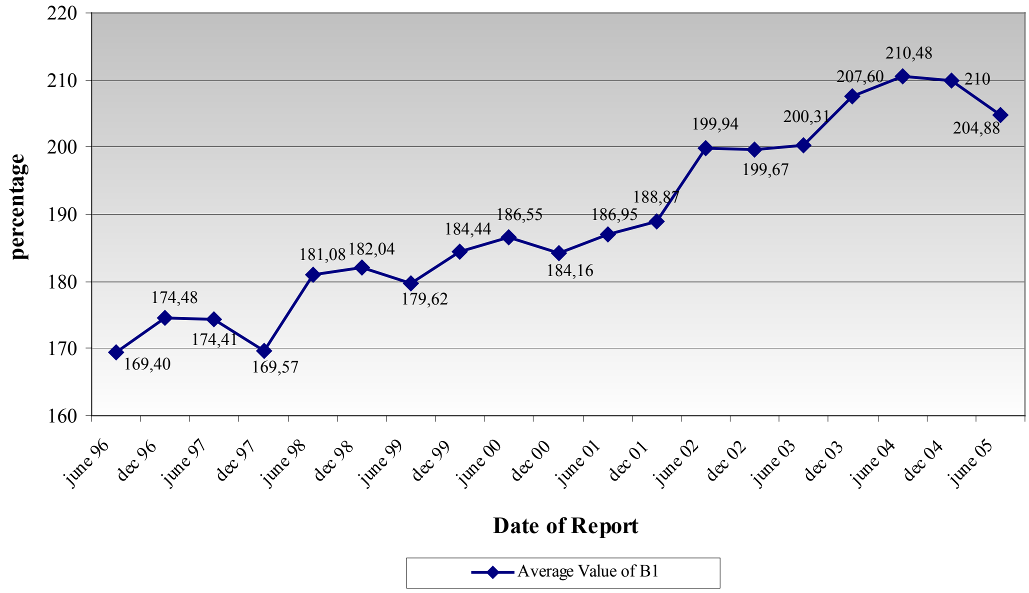
Date of Record	**Normality < 20%**		**Attention < 30%**		**Warning < 50%**		**Violation > 50%**	
	banks	*% RF*	*banks*	*% RF*	*banks*	*% RF*	*banks*	*% RF*
30/06/2004	274	91,91	10	8,02	5	0,07	2	0,00
31/12/2004	271	95,30	7	2,41	6	2,29	2	0,00
30/06/2005	260	76,92	17	19,99	9	0,85	2	2,24

* *Thresholds for the two data reporting in 2004: 30, 45 e 75.*
Source: FITD - Bank of Italy Statutory Reports

Solvency

The average value of the B1 indicator (Capital for Supervisory Purposes / Supervisory Capital Requirements) seems to have interrupted its growth in the last two semi-annual reports.

Graph 6
B1 Performance from June 1996 to June 2005



The number of banks ranking in the Normality class with respect to the B1 indicator remained stable last year, having RF equal to 99,15%. In June 2005, there was 1 less bank in the Attention class, with respect to June 2004, and there was also a 2% reduction in RF. There was only one bank in the Warning class having no RF, while no member was classified in the Violation class.

Table 8
Indicator B1: Class distribution of banks

Date of Record	**Normality > 110%**		**Attention < 110%**		**Warning < 100%**		**Violation < 90%**	
	banks	*% RF*	*banks*	*% RF*	*banks*	*% RF*	*banks*	*% RF*
30/06/2004	275	97,05	12	2,86	2	0,02	2	0,07
31/12/2004	271	99,13	13	0,82	2	0,05	0	0,00
30/06/2005	276	99,15	11	0,85	1	0,00	0	0,00

Source: FITD - Bank of Italy Statutory Reports

Maturity Transformation profile

The Statutory reform of February 2004 implemented an amendment made to the supervisory rules by the Bank of Italy (circular letter n.358608 of 22/12/2003) that provides for, in addition to the integration of Rules 2 and 3, an evaluation of maturity transformation on a consolidated basis to be received by members belonging to bank groups. This last amendment has not yet entered into force because of the unavailability of data and therefore the data are analysed on an individual basis.

As far as regards the class distribution of the C indicator for maturity transformation, the number of banks that respect both rules of which it made up, has increased by 17 units, while the amount of RF by approximately 16 % (Table 9). This increase has been balanced by a decrease of 18 banks in the Warning class with respect to June 2004, since those classified in Attention class have remained substantially stable.

Table 9
Respect for Supervisory Maturity Transformation Rules

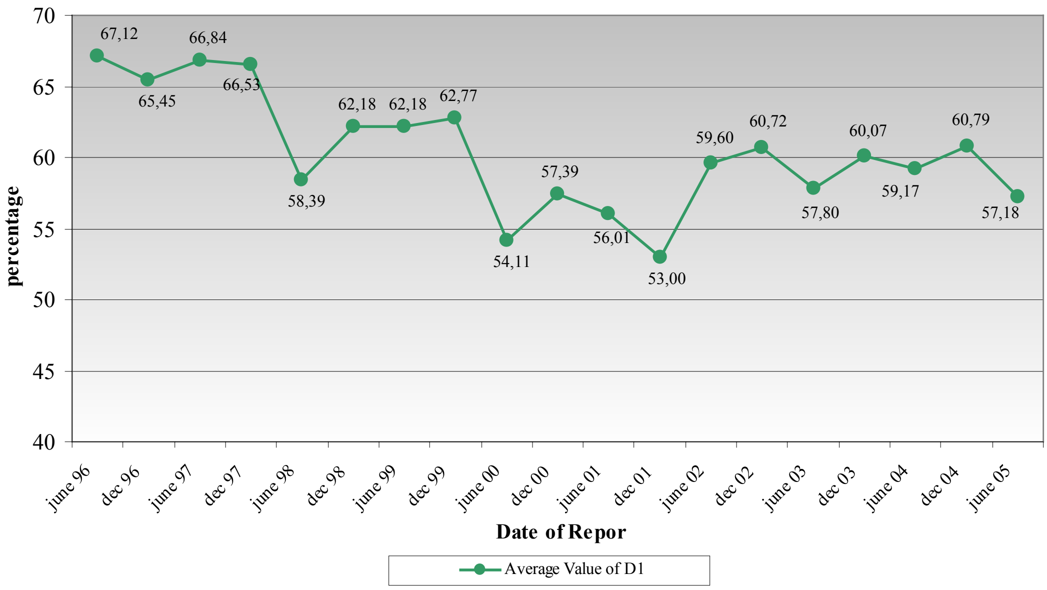
Date of Record	Normality 3 rules respected		Attention 1 rule not respected		Warning 2 rules not respected	
	banks	*% RF*	*banks*	*% RF*	*banks*	*% RF*
30/06/2004	244	77,17	29	9,26	18	13,57
31/12/2004	255	84,25	29	15,62	2	0,13
30/06/2005	261	93,27	27	6,73	0	0,00

Source: FITD - Bank of Italy Statutory Reports

Profitability

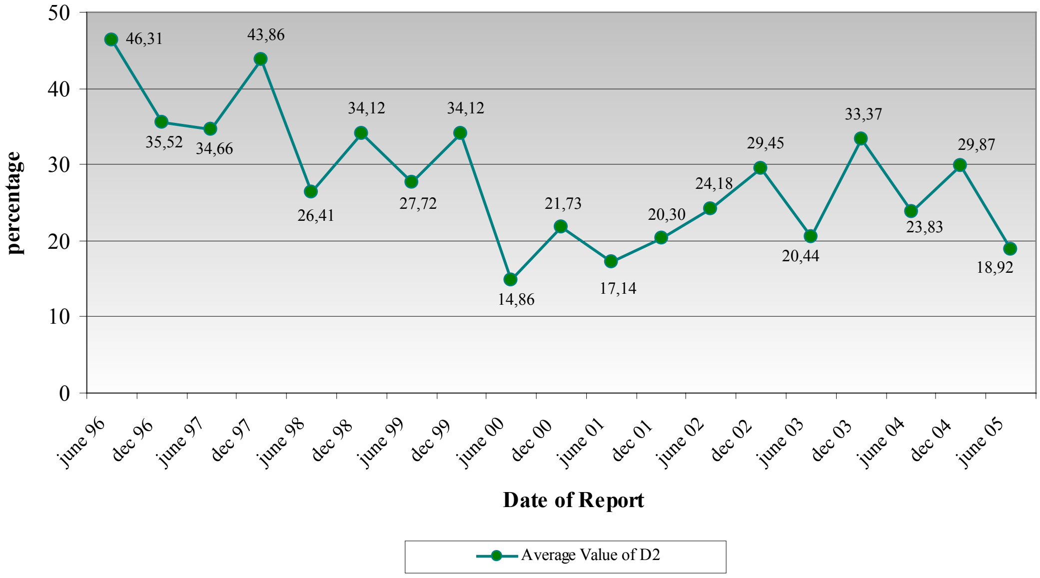
The indicators for profitability, D1 (Overhead costs / Net operating income) and D2 (Loan losses / Gross income) are traditionally those with the greater number of banks in the Violation class (Graphs 7 and 8).

Graph 7
D1 Performance from June 1996 to June 2005



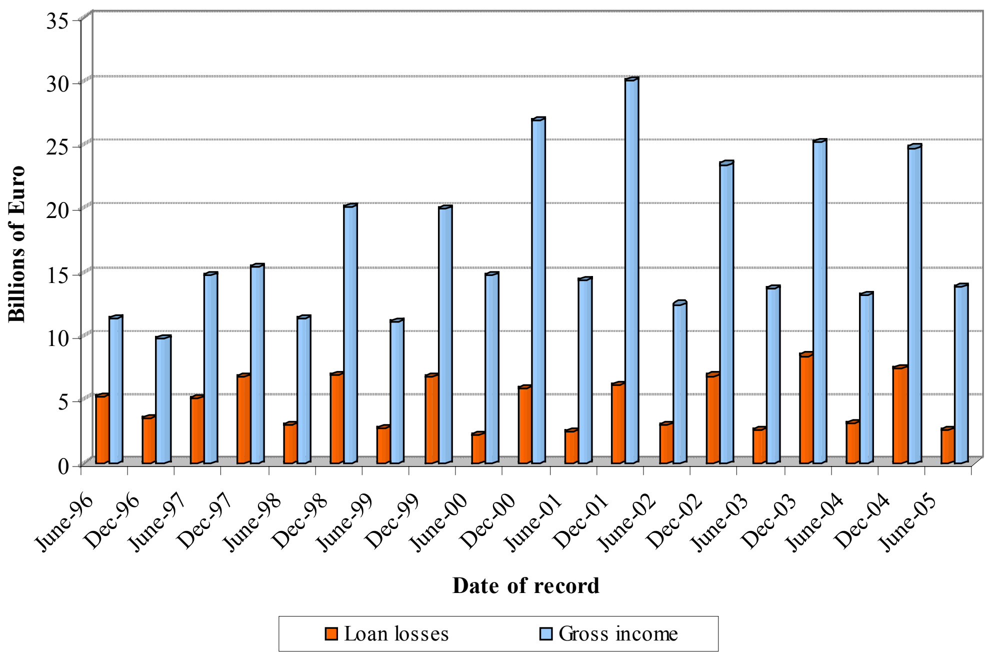
In the two year period 1996 - 1997, there was stability around an average value of the indicator of about 66%. This percentage decreased to 61% in the two year period 1998 - 1999, and further decreased to 55% between 2000 and 2001. The last five reports relating to the June 2002 - June 2005 period demonstrate a recovery of an average value around 59%.

Graph 8
D2 Performance from June 1996 to June 2005



The swinging trends that are shown by the graphs appearing even more dramatic for ratio D2, are due to the fact that the data of June and December refer to different time intervals (the semi-annual period and year respectively). Because not all of the Income Statement data are calculated biannually, a correct comparison should be made on a twelve-month basis.

Graph 9
Loan losses and Gross Income
from June 1996 up to June 2005



The analysis of class distribution of banks for the D1 indicator demonstrates that, between June 2004 and June 2005, there was an increase in the number of member banks classified in the Normal class (+4), and in the Warning class (+7); there was a reduction of those in the Attention class (-12) and those in Violation class (-2) (Table 10). With regard to RF, there was a shift from the Attention class (-21,41%) to the Normal class (+12,79%%), Warning class (+6,06%) and Violation class (+2,55%).

Table 10
Indicator D1: Class Distribution of banks

Date of Record	**Normality < 70%**		**Attention < 80%**		**Warning < 90%**		**Violation > 90%**	
	banks	*% RF*	*banks*	*% RF*	*banks*	*% RF*	*banks*	*% RF*
30/06/2004	187	63,42	55	32,85	12	1,49	37	2,25
31/12/2004	181	78,17	59	17,02	15	2,30	31	2,52
30/06/2005	191	76,21	43	11,44	19	7,55	35	4,80

Source: FITD - Bank of Italy Statutory Reports

As far as regards D2, the analysis of the class distribution demonstrates that there was an increase in the number of banks classified in the Normal class (+24), a reduction of those in the Attention class (-18) and in Violation class (-9) (Table 11). Regarding RF, as D1, a shift occurred from the Attention class (-14,59%) to those of the Normality class (6,42%), Warning class (+4,47%) and Violation class (+3,7%).

Table 11
Indicator D2: Class Distribution of banks

Date of Record	**Normality < 40%**		**Attention < 50%**		**Warning < 60%**		**Violation > 60%**	
	banks	*% RF*	*banks*	*% RF*	*banks*	*% RF*	*banks*	*% RF*
30/06/2004	227	79,86	27	15,88	5	0,79	32	3,47
31/12/2004	223	79,25	18	7,29	10	4,22	35	9,25
30/06/2005	251	86,28	9	1,29	5	5,26	23	7,17

Source: FITD - Bank of Italy Statutory Reports

In January, the results of research conducted by Manuela De Cesare on Deposit Insurance systems at the international level, entitled "*Report on Deposit Insurance: An International Outlook"* was published in the Fund's *Working Papers.* The study includes information obtained from a questionnaire put together by the Fund's offices and sent to all the members of EFDI during 2004.

In the last months of the year, the Fund's offices launched an elaborate project consisting of a more extensive comparative study on deposit insurance in the European Area, that is based on updating the questionnaire aimed at schemes belonging to EFDI in 2004 and it shall be presented in 2006. The work outlines the principal characteristics of deposit insurance by comparing the schemes currently existing in Europe and it presents itself, at the same time, as a rapid consultation manual, thanks to the structure that is focused on technical charts for each individual country.

Last September, *"IAS-IFRS e imprese bancarie: impatti gestionali, organizzativi e contabili ed esperienze delle grandi banche italiane",* was published by Edibank and edited by Raffaele Mazzeo (KPMG), Edgardo Palombini (FITD) and Stefano Zorzoli (Bocconi University).

The work is the result of a research project sponsored by FITD, that involved members of the academic world, the consulting field and some major banks. The first part is dedicated to the management and organisational impacts of new accounting principles; in particular it addresses the effects of IAS-IFRS on the following: bank financing to companies, the organisational structure of banks, the *credit risk management* department, derivatives_transactions , models of government and supervision and the accounting policies . The second part predominantly deals with accounting themes such as preparing the consolidated financial statements, the information report on the financial instruments and their classification, the variability of corporate results, the securitisation of credits and auditing of financial statements. The last part, finally, concentrates on the experiences of three major banking groups in handling the accounting of receivables, securities and derivatives.

As far as regards the research projects underway, the identification of consolidated financial indicators is still in the phase of analysis and study, to be considered jointly with individual indicators in evaluating the risk of banks that are part of banking groups (pursuant to Article 1 of the Appendix to the Statutes).

During the year, FITD consolidated its telematic communication system with its members.

As well known, starting from the report of 30 June 2004 which was received and elaborated by the Fund in December 2004, **"Feedback data"** has been produced in electronic form by FITD. Such information report, produced by FITD until 2003 exclusively on paper, is personalised for each member, and it compares the data of the individual institution with the system data.

A confidential members only section of the web FITD site is used for Feedback data, and it is used for communicating data relating to the Contribution Base and to financial indicators as well.

During the year, FITD proceeded to create an application named "Inventory" having the objective of grouping together various functions into one sole interface. The software, aimed at facilitating internal operations of the Fund's office, contains the personal details of the member institutions, the address book and library of FITD.

In light of collaboration among institutions, a representative from the Ministry of the Treasury was received in the offices of the Fund on the 18th of January 2005. The meeting dealt with the questionnaire on the Amendment to the European Directive on Deposit Insurance that the European Commission sent to various Italian institutions, including the Bank of Italy and ABI.

Regarding the same matter, on the 29th of September, the Fund hosted colleagues from the Italian Banking Association (ABI), to address some aspects of common interest dealt with in the above mentioned questionnaire.

On the 8th of September 2005, the first **Bilateral Agreement** with the Slovenian Central Bank in relation to Nova Ljubljanska Bank's membership to FITD, was signed at the Fund's main offices.

This institution, operating in the city of Trieste, compulsorily adhered to the Fund until 30 April 2004, since at the time it was the branch of a non-EU bank. After Slovenia joined the EU on 1 May 2005, the bank became an EU branch and requested to adhere to FITD voluntarily in order to extend the level of coverage (*topping up*) that is slightly more than 20.000 Euro in its home country.

The subject of the Agreement is a series of rules and norms that the two schemes, upon signature of the Agreement, undertake to comply with in order to manage in the best way a possible liquidation of the bank. Furthermore, the biannual reporting of necessary financial data is provided for in order to create some of the indicators used by FITD, otherwise not available because of the principle of *Home Country Control* for EU branches. Providing this data shall allow the continuation of evaluating the bank's risks on the basis of a monitoring system used by the Fund correctly to avoid creating distortions and unfairness in the Consortium.

In April 2005, a meeting with World Bank took place at the Fund's main offices. The meeting addressed the possibility of carrying out an auditing project regarding the Romanian deposit insurance system, analysing at the same time the adequacy of the contributions paid by the members of the Romanian Fund (*Romanian Guarantee Fund* - RGF). The analysis of the Romanian guarantee system, which began in the summer, was completed by the Fund's Studies Office at the end of October and was presented in Bucharest on 18 December 2005 by Alessio Veccia during a technical seminar at the Romanian Central Bank, together with the results attained by the World Bank's project group. More delegations, representing the Central Bank, the Fund and the Banking Association, participated on behalf of Romania.

On the basis of the study's conclusions, having considered the current level of the Romanian Fund, it was possible to suggest a reduction in the contributions for 2006 - 2007. Furthermore, such reduction was accompanied by a series of recommendations , such as: the introduction of a monitoring system of risks that permits RGF to determine ex-ante the financial needs and therefore the contributions starting from 2008; search for better allocation of the Fund's portfolio to maximise the investment returns; envisaging the possibility of negotiating a line of credit with banks in order to increase RGF's credibility to the eyes of depositors upon the reduction of contributions.

In the course of the year, the FITD's commitment to the presidency of the European Forum of Deposit Insurers (EFDI) continued regularly. Meetings and seminars on themes of major interest for Deposit Insurance were promoted and organised in collaboration with the European partners.

As a demonstration of how EFDI has become by now a player at the European level, an EFDI delegation was invited to the European Central Bank in Frankfurt on the 6th of April in order to obtain information on the Association's aims.

April 2005

On the 28th and 29th of April 2005, a seminar on the Bilateral Agreements took place in Berlin, at the German Banking Association. It focused on the necessity of establishing common principles among the Schemes for "topping up". These agreements are necessary to guarantee a more rapid assistance to depositors of EU foreign branches, in case of bankruptcy of the Parent bank.

September 2005

The seminar on "***Financing of Deposit Guarantee***" took place in Stockholm (the 15th and the 16th of September 2005), at Riksbank, the Central Swedish Bank. The theme was addressed from the participants' different points of view. The Central Swedish Bank brought to light how the problem of financing deposit insurance is of significant importance, given its relations to matters such as the stability of the financial system as a whole; the CESB (Committee of European Banking Supervisors) outlined the main aspects of deposit insurance with regard to the characteristics of the contribution systems (ex-ante/misto/ex-post) and the contributions related to risk; the European Commission spoke about *financing* of deposit insurance with reference to the study on the Amendment to the Directive 94/19/CE.

October 2005

The European Forum of Deposit Insurers, on the 10th Anniversary of the Polish Bank Guarantee Fund (BGF) organised the ***Annual Meeting*** in Warsaw on the 13th and 14th of October 2005.

On the day of the 13th, which was dedicated to 10 years of the Polish Fund, several authoritative speakers made speeches, including the President of the Central Bank of Poland and Board Members of BGF, who spoke about the theories and cases of banking crises in Poland, the development of the Polish financing sector and the future of their Protection Scheme.

The following day, various topics were dealt with, among which were: the Amendment to the Directive on Guarantee Schemes (the funds expressed their points of view on the matter); Basel II and the inter-relations with the protection of deposits and its significance for the banking system; there was an opportunity to listen to an interesting perspective on financial stability and the role of guarantee deposits based on the experience of the International Monetary Fund; the future of the guarantee system was, furthermore, analysed by a Fund expert such as the Federal Deposit Insurance Corporation. EFDI wanted to dedicate a part of the Annual Meeting to *Investor Compensation Schemes* and for the occasion, Oxera (an economic consulting firm) presented a detailed description supported by a report elaborated in 2004.

The Savings Deposit Insurance Fund in Turkey was introduced as a new member of EFDI and it presented the main aspects that characterise the Scheme.

December 2005

On the 8th and 9th of December, the European Forum of Deposit Insurers held a seminar in **Sarajevo** on Deposit Insurance in so-called "transition" countries, or countries that fell under Soviet influence. The objective of the conference was that of effecting a qualitative and quantitative analysis of all the protection schemes of that area. The Bosnian Fund, host of the seminar, analysed the questionnaire that 17 countries involved in the research carried out in the preceding months.

Different Schemes participated on the themes, such as: institutional organisation of the system, responsibility, organisational structure, financing and investment, coverage, duties and powers of the scheme, the process of reimbursing depositors, awareness of the saver of deposit insurance, moral hazard.

Others also participated including: representatives from the *World Bank* with an experience based presentation on the Bosnia Herzegovina case; the *European Bank for Reconstruction and Development,* with reference to evolution of the financial market in Eastern Europe over the course of 15 years of transition; *Kreditanstalt für Wiederaufbau,* with its contribution of its own experience as an international bank providing technical and financial support to new schemes with the common objective of pursuing financial stability. Of particular importance and interest was the debate moderated by a professor from the University of Cagliari on Moral Hazard.

Interventions

During the past financial year, the Fund managed some past interventions that had not been completely defined yet.

This activity, developed together with the bodies of the liquidation procedures, had the purpose of examining all possible solutions to attain a complete definition, even by way of settlement, of the ongoing processes.

Here follows a description of activities carried out and the current state of definition for each of the three interventions:

Banco di Tricesimo: in 2005, the attainment of an agreement with the Liquidation Organs aimed at determining the transfer of credit on behalf of the liquidation to the Fund itself has been worked on.

In 2006, the subscription to the Deed of Assignment shall take place, according to the estimated values, that shall be the subject of final determination.

Banca di Girgenti: the judiciary course of the active suits, which in 2005 was the subject of punctual survey, followed its natural judiciary evolution and its framework, which has already been outlined, remains unchanged in its general lines.

Cassa di Risparmio di Prato: the only law-suit that is pending before the courts, still has not lead to any ruling to define the entire proceeding.

Regarding the commitment for interventions for the 2005 financial year, it is noted that, according to Article 21 of the Statutes and the resolution of the General Meeting, the resources for interventions are 0,4% of reimbursable funds as of 30 June 2004, which is equal to 1.442.245.321 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 2005;
- 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 2005 of A1, B1, D1 and D2 indicators and of the Aggregate Indicator.

Fondo Interbancario di Tutela dei Depositi

AVERAGE VALUES

Reporting date	RATIOS						Aggregate Indicator	Reimbursable Funds	
	A1	A2	B1	B2	D1	D2		in bln £ire	in bln 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		53,00	20,3	2,01	618.660	319,5
30/6/02	11,51		199,94		59,60	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		57,80	20,45	1,9	652.329	336,9
31/12/03	11,40		207,60		60,07	33,37	2,28	681.373	351,9
30/6/04	11,05		210,48		59,17	23,74	1,85	698.219	360,6
31/12/04	11,04		210,00		60,79	29,87	1,73	710.805	367,1
30/6/05	9,90		204,88		58,18	18,92	1,59	720.292	372,0

Thresholds of Indicators

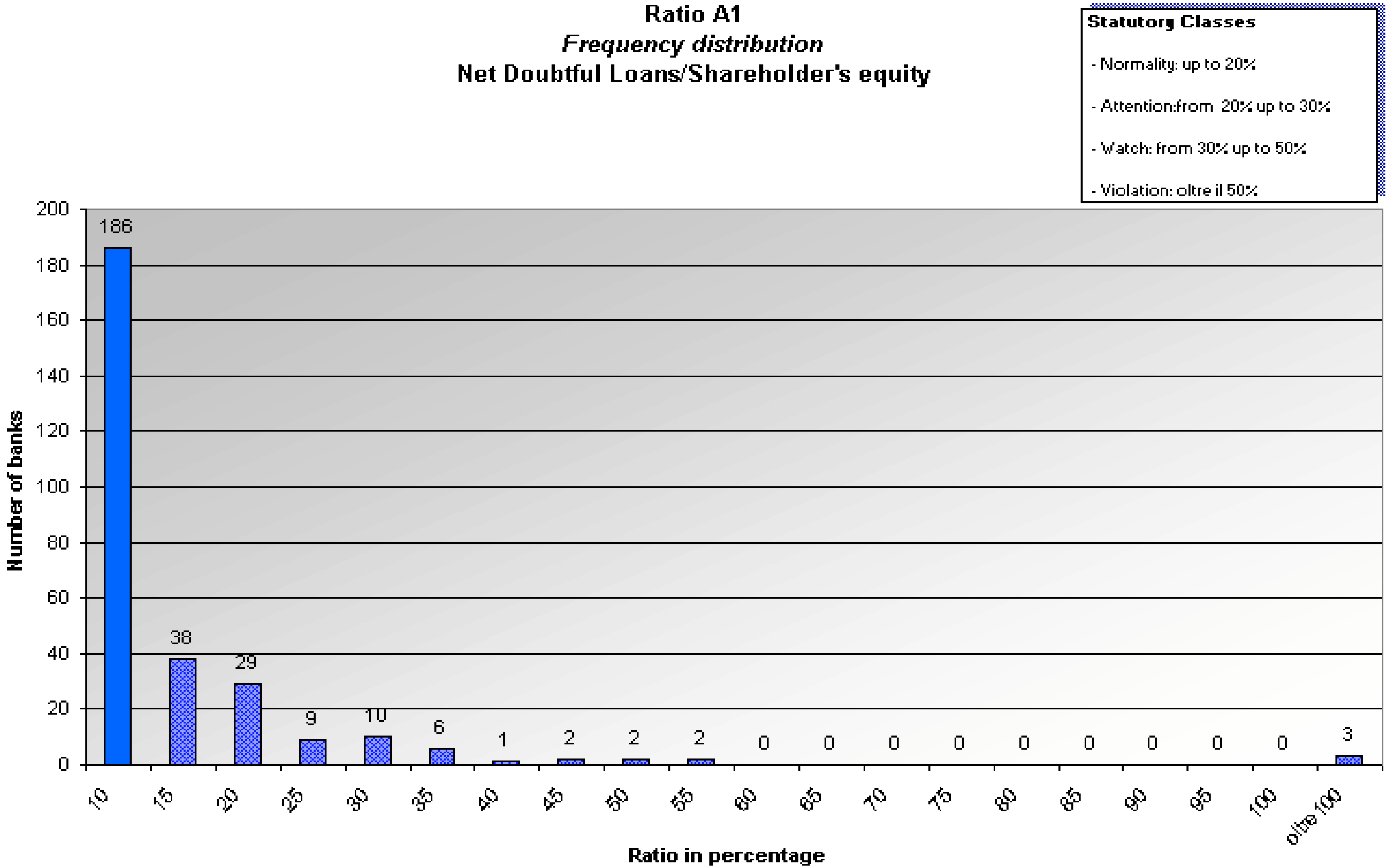
Legend	Normal	Attention	Warning	Violation
A1: Net Doubtful Loans/Shareholders'equity	0-20	20-30	30-50	More than 50%
Coeff_A1	0	2	4	8
B1: Supervisory Capital / Superv. capital requirements	More than 110%	100-110	90-100	Less than 90%
Coeff_B1	0	1	2	4
C: Maturity transformation rules	3 rules respected	1 rule not respected	2 rules not respected	
Coeff_C	0	1	2	
D1: Overhead costs/Net operating 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

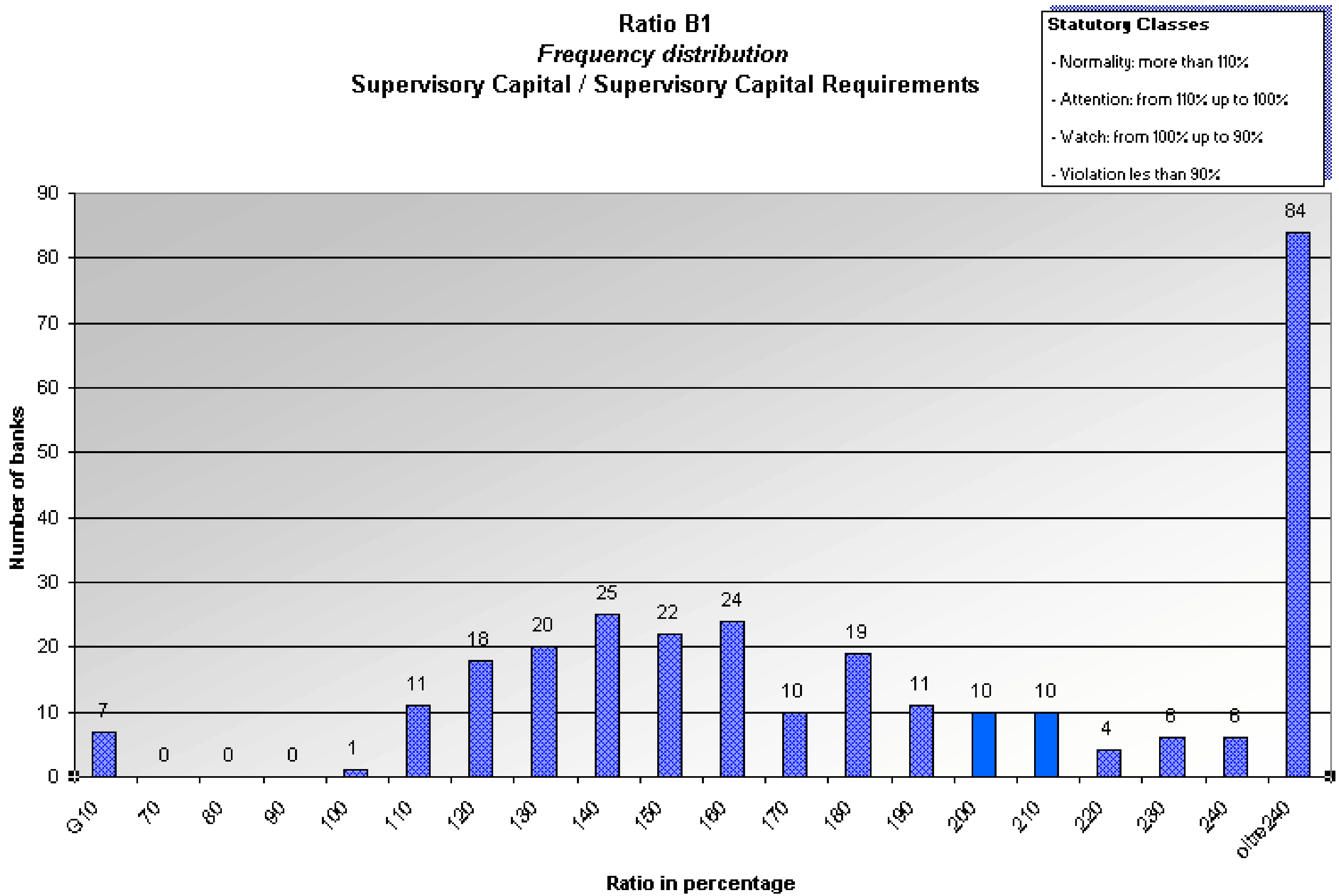
Derogation for A1 in 2004

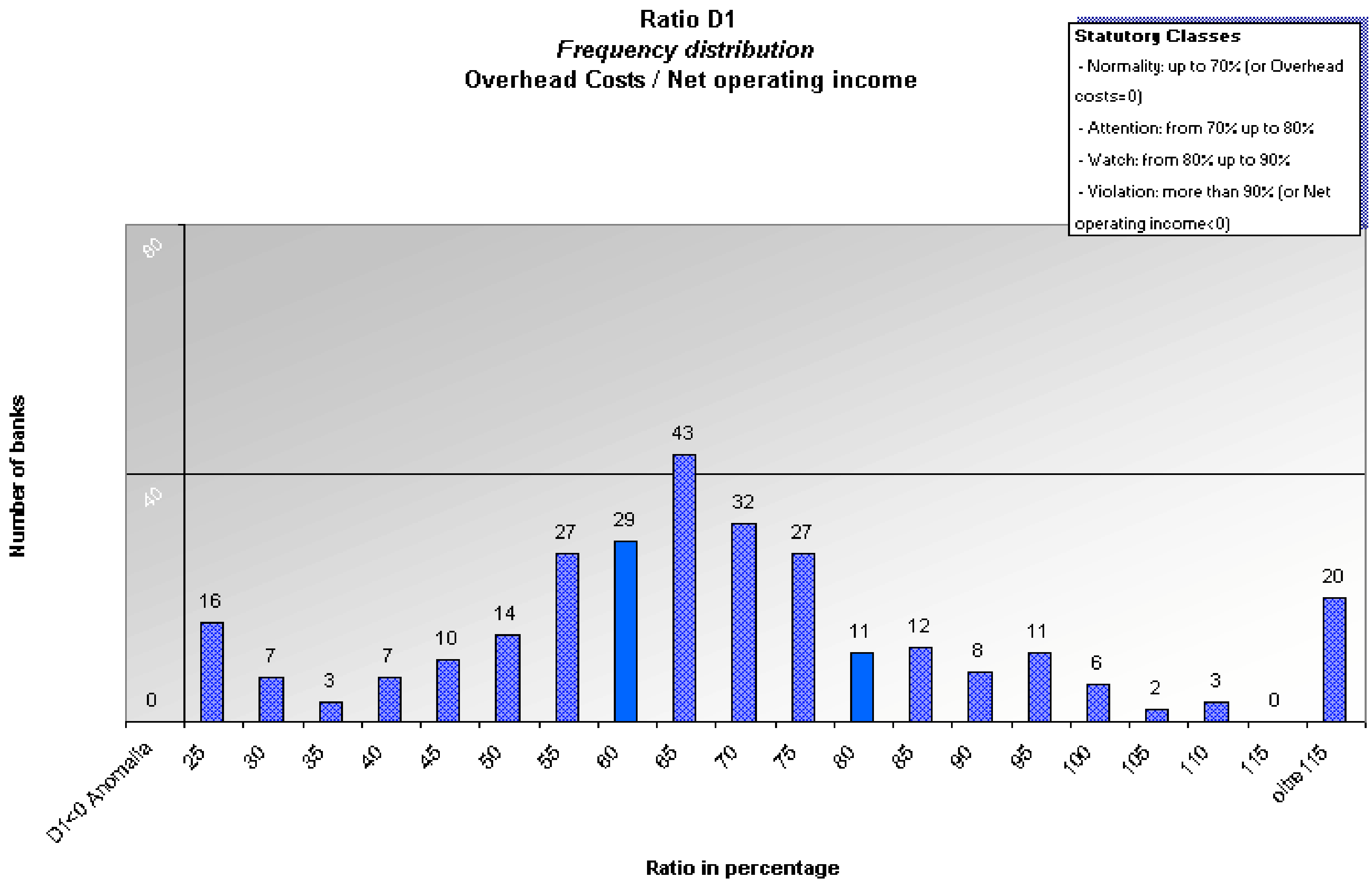
Indicator A1: Net Doubtful Loans/Shareholders'equity	0-30	30-45	45-75	More than 75%
Coeff_A1	0	2	4	8

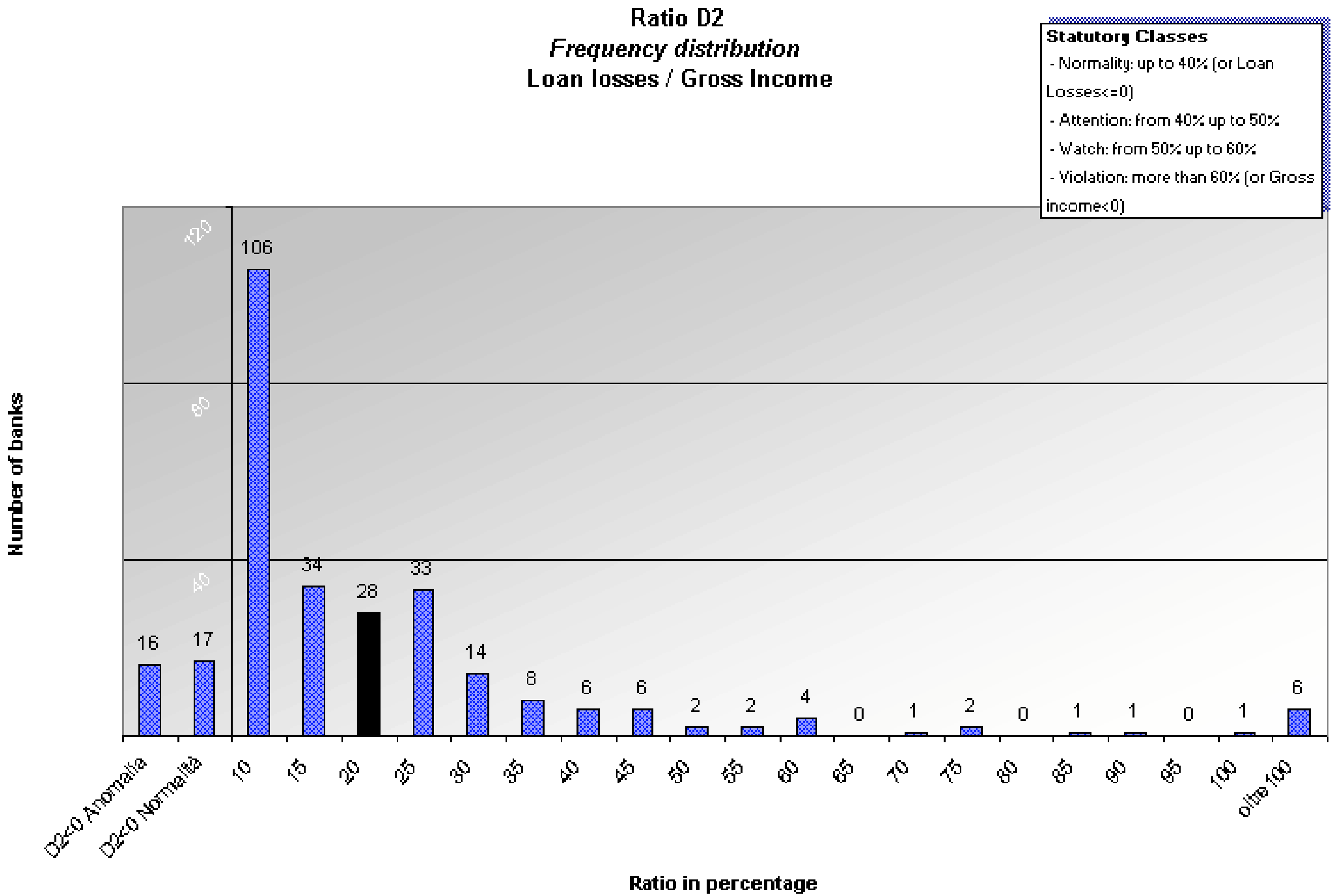
Statutory Positions

Determination of the Statutory Classes	
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
Frequency distribution
Net Doubtful Loans/Shareholder's equity
Statutory Classes
- Normality: up to 20%
- Attention:from 20% up to 30%
- Watch: from 30% up to 50%
- Violation: oltre il 50%
Number of banks
0
20
40
60
80
100
120
140
160
180
200
186
38
29
9
10
6
1
2
2
2
0
0
0
0
0
0
0
0
0
3
10
15
20
25
30
35
40
45
50
55
60
65
70
75
80
85
90
95
100
oltre 100
Ratio in percentage


Ratio B1
Frequency distribution
Supervisory Capital / Supervisory Capital Requirements
Statutory Classes
- Normality: more than 110%
- Attention: from 110% up to 100%
- Watch: from 100% up to 90%
- Violation les than 90%
Number of banks
Ratio in percentage
0
10
20
30
40
50
60
70
80
90
7
0
0
0
1
11
18
20
25
22
24
10
19
11
10
10
4
6
6
84
Q10
70
80
90
100
110
120
130
140
150
160
170
180
190
200
210
220
230
240
oltre 240


Ratio D1
Frequency distribution
Overhead Costs / Net operating income
Statutory Classes
- Normality: up to 70% (or Overhead costs=0)
- Attention: from 70% up to 80%
- Watch: from 80% up to 90%
- Violation: more than 90% (or Net operating income<0)
Number of banks
80
40
0
16
7
3
7
10
14
27
29
43
32
27
11
12
8
11
6
2
3
0
20
D1<0 Anomalia
25
30
35
40
45
50
55
60
65
70
75
80
85
90
95
100
105
110
115
oltre 115
Ratio in percentage


Ratio D2
Frequency distribution
Loan losses / Gross Income
Statutory Classes
- Normality: up to 40% (or Loan Losses<=0)
- Attention: from 40% up to 50%
- Watch: from 50% up to 60%
- Violation: more than 60% (or Gross income<0)
Number of banks
120
80
40
106
34
28
33
16
17
14
8
6
6
2
2
4
0
1
2
0
1
1
0
1
6
D2<0 Anomalia
D2<0 Normalità
10
15
20
25
30
35
40
45
50
55
60
65
70
75
80
85
90
95
100
oltre 100
Ratio in percentage

Aggregate Indicator (AI)
Frequency distribution