Fondo Interbancario di Tutela dei Depositi

Interbank Deposit Protection Fund

1987-2007 Fitd 20

Annual Report 2006

INTERBANK DEPOSIT PROTECTION FUND

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Deputy Chairman: Bruno Picca

Secretary General: Roberto Moretti

Statutory Member: Presidente ABI Corrado Faissola

Representative from the Bank of Italy: Anna Maria Tarantola

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Giovanni Cartia
Elisabetta Magistretti
Roberto Mazzotta
Antonio Patuelli

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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 website (www.fitd.it) or can be requested to the Fund directly.

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Statistical Analysis

As of the 31st of December 2006, there were 295 member banks, which marked an increase from 290 as of December 2005. 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 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.

217 of the 295 member banks belong to banking groups, while 78 are not members of banking groups. 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.

During the year, there were 12 new member banks, 6 mergers, no transfer of assets and liabilities and one voluntary withdrawal of memberships (Table 1).

Table 1
Variation in the composition of the consortium
(December 2005 – December 2006)

Activity	***Number of Banks***
Member banks as of 31 December 2005	290
Mergers	6
Transfer of Assets and Liabilities	0
Withdrawal of memberships	1
New member banks	12
Member banks as of 31 December 2006	295

Source: FITD Statutory Reports.

According to the data as of the 30th of June 2006, total Reimbursable Funds (RF) by FITD amounted to 388,1 billion euro, having increased 4,5% with respect to the previous year (Table 2 and Graph 1).

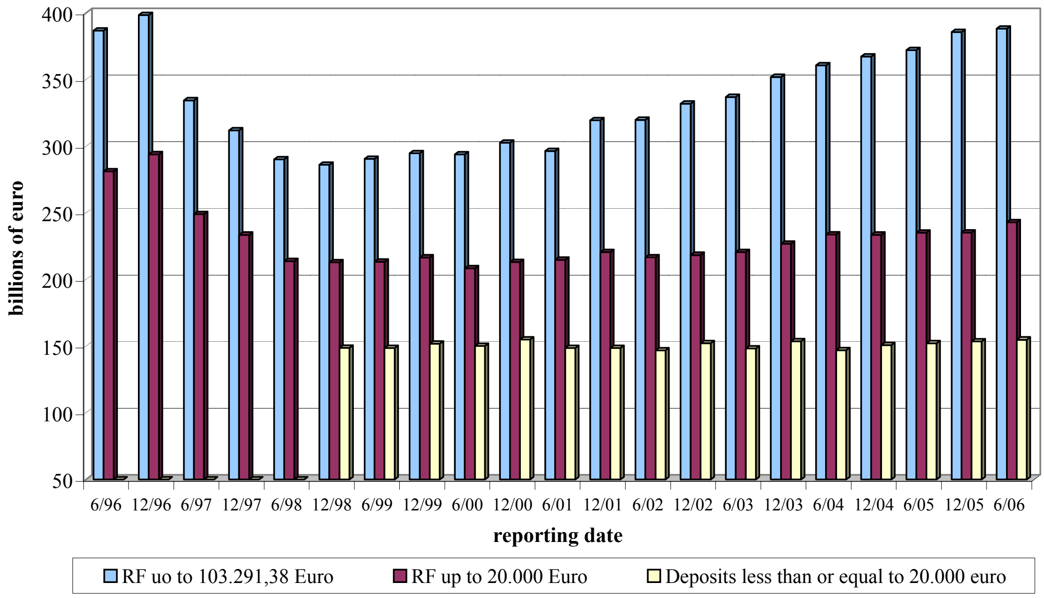
RF up to 20.000 euro, which must be reimbursed within three months of a bank's liquidation pursuant to Article 27, paragraph 8 of FITD's Statutes, increased by 3,3% with respect to June 2005 and they represent 62,5% of total RF.

Table 2
Evolution of Reimbursable Funds by FITD

Date	RF up to 103.291,38 euro		RF up to 20.000 euro		
	Euro, billions	Lire, billions	Euro, billions	Lire, billions	among which 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
Dec '05	385,5	746.432	235,2	455.411	153,5
June '06	388,1	751.466	242,8	470.126	154,8

Source: FITD reports on periodic data.

Graph 1
Time Series: RF of Member Banks



Graph 1 shows the evolution of RF from June 1996 to June 2006; 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 240 million euro. Between December 1997 and June 2006, their weight on total RF diminished from a bit less than 75% to a little more than 60%.

Within RF up to 20.000 euro, deposits less than such limit have progressively reduced their weight on total RF shifting from 69,8% in December 1998 to 63,75% in June 2006, accounting for 150 million euro.

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 2005, December 2005 and June 2006.

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 according to Statutory Position

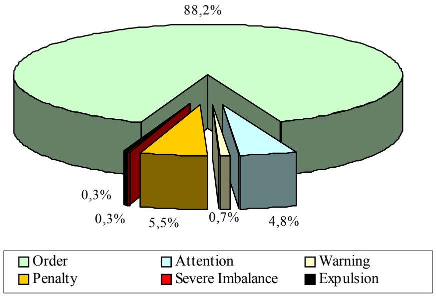
Statutory Position	30/06/2005		31/12/2005		30/06/2006	
	banks	*% RF*	*banks*	*% RF*	*banks*	*% RF*
Order	234	82,4	231	84,1	255	89,8
Attention	27	7,9	21	3,5	14	6,9
Warning	6	4,5	15	5,4	2	0,0
Penalty	20	5,2	17	6,7	16	3,1
Severe Imbalance	0	0,0	2	0,2	1	0,0
Expulsion	1	0,0	0	0,0	1	0,2
Total banks	288	100	286	100	289	100

Source: FITD - Bank of Italy data.

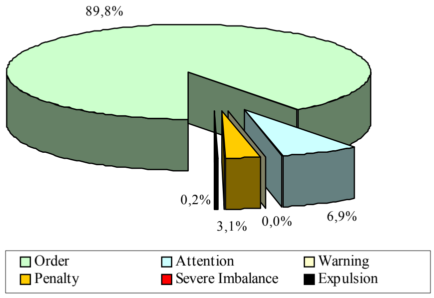
The semi-annual reports that are compared show an increase in banks at low risk (Order and Attention).

As a matter of fact, compared to June 2005, it is noted that there are 21 more banks in the Order class, and 13 less in the Attention class and 4 less in the Warning and Penalty classes. RF of banks in the Order class increased by 7,4% and decreased by 1% in the Attention class, by 4,5% in the Warning class and by 2,1% in the Penalty class. There are two banks at high risk, one classified in the Severe Imbalance class and one in the Expulsion class.

Graph 2
Member Distribution
regarding Statutory Position



Graph 3
RF Distribution
regarding 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 (Bad debts / Shareholders' equity + Subordinated loans) has decreased from 9,9% in June 2005 to 6,8% in June 2006. On the other hand, the average solvency, the B1 indicator (Supervisory Capital / Supervisory Capital Requirement) recorded an increase in December 2005 and a slight decrease in June 2006, 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
Weighted average values of financial indicators

Indicators		Reporting date		
		30/06/2005	31/12/2005	30/06/2006
A1	Bad debts / Shareholders' equity + Subordinated loans	9,9	7,89	6,8
B1	Supervisory capital / Supervisory capital requirements	204,88	212,98	209,97
D1	Operating expenses / Gross income	57,18	59,57	49,93
D2	Loan losses, net of recoveries / Profit before tax	18,92	20,62	12,02

Source: FITD - Bank of Italy Reports.

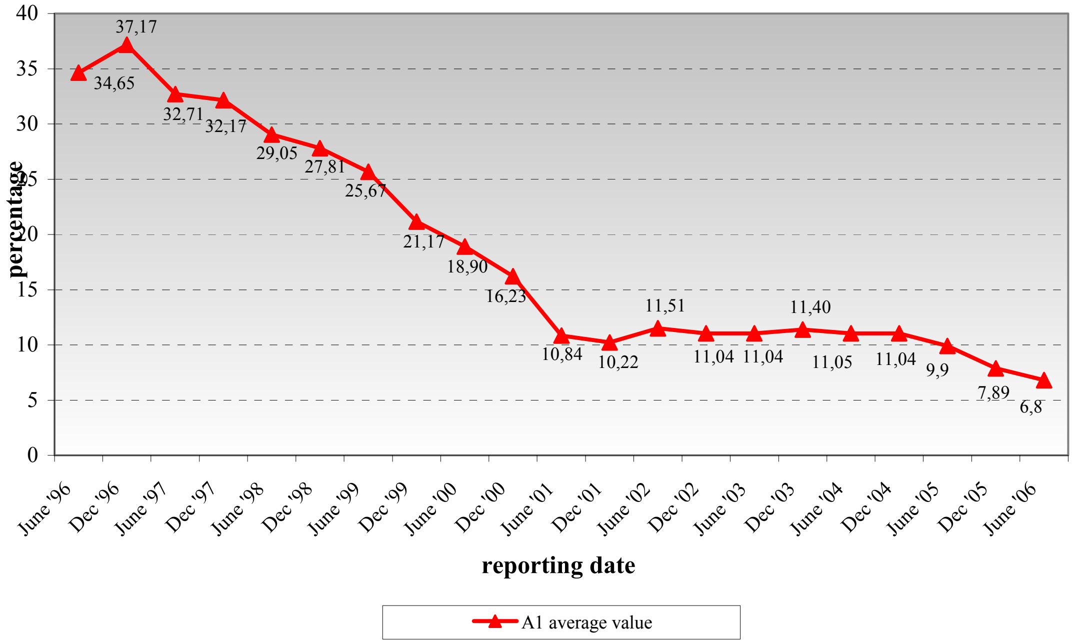
Risk profile

The average value of the A1 risk indicator (Bad debts / Shareholders' equity + Subordinated loans), reached in June 2006 its lowest value, at 6,8%.

Graph 4 demonstrates how, from 1996 to 2001, A1 showed a decreasing trend while it stabilized for the three years after 2001 at around 11%. The last three semi-annual periods highlight a continuation of the decreasing trend.

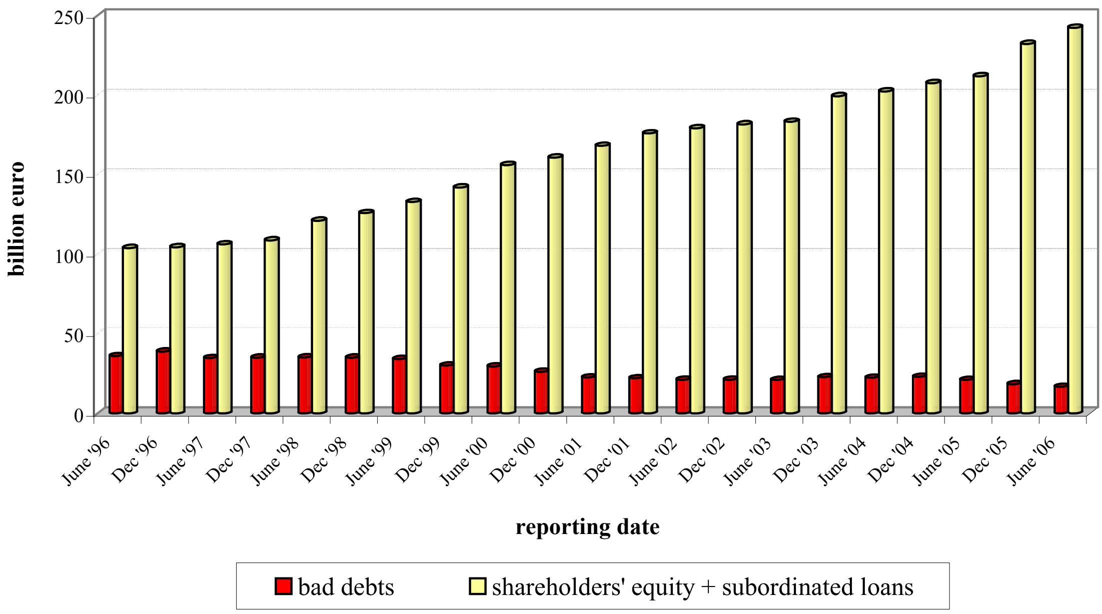
In 10 years of data, the average indicator recorded on 31 June 2006 has reduced by 81% compared to the greatest average value equal to 37,17% recorded on 31 December 1996.

Graph 4
A1 performance from June 1996 to June 2006



The low A1 value recorded in June 2006 is the combined effect of a reduction in Bad debts, that indicates an improvement in the quality of credit, and an increase in Shareholders' Equity.

Graph 5
Bad Debts and Shareholders' Equity from June 1996 to June 2006



The comparison between the class distributions for June 2005 and June 2006, demonstrates that there are 16 more banks in the Normality class, with an 8,5% increase in RF. The banks in the Attention and Warning classes each decreased by 8, with a 7,92% decrease and 0,80% decrease of RF, respectively. Among the banks classified in the Violation class, an increase of one bank which increased RF insignificantly was noted.

Table 7
A1 Indicator: Class Distribution for banks

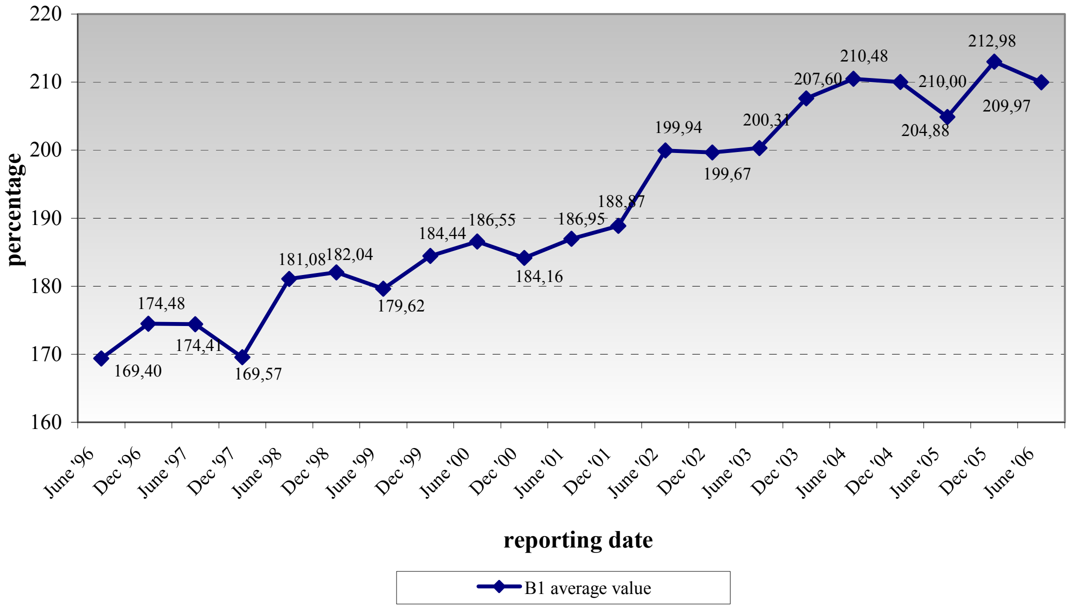
Reporting date	**Normality < 20%**		**Attention < 30%**		**Warning < 50%**		**Violation > 50%**	
	banks	*% RF*	*banks*	*% RF*	*banks*	*% RF*	*banks*	*% RF*
30/06/2005	260	76,92	17	19,99	9	0,85	2	2,24
31/12/2005	259	80,16	20	13,52	4	3,85	3	2,48
30/06/2006	276	85,43	9	12,07	1	0,05	3	2,45

Source: FITD - Bank of Italy Reports.

Solvency Profile

The average value of the B1 indicator (Supervisory Capital / Supervisory Capital Requirements) confirms a growth trend in the most recent semi-annual reports.

Graph 6
B1 performance from June 1996 to June 2006



The number of banks in the Normality class with respect to the B1 indicator decreased by 4, while banks in the Attention class increased by 6. RF followed the same trend with a percent value of 14,21%.

Table 8
B1 indicator: Class Distribution for Banks

Reporting date	Normality > 110%		Attention < 110%		Warning < 100%		Violation < 90%	
	banks	*% RF*	*banks*	*% RF*	*banks*	*% RF*	*banks*	*% RF*
30/06/2005	276	99,15	11	0,85	1	0,00	0	0,00
31/12/2005	274	97,13	12	2,87	0	0,00	0	0,00
30/06/2006	272	84,94	17	15,06	0	0,00	0	0,00

Source: FITD - Bank of Italy Reports.

Maturity transformation profile

The analyses in June 2006 were carried out on the basis of four financial indicators, following the repeal of the "maturity transformation" indicator C, as set forth by the FITD at the meeting on the 21^{st} of June 2006, upon the enactment of the Bank of Italy's provision n° 397725, dated the 6^{th} of April 2006.

Therefore, the analysis of the maturity transformation profile, presented here for the last time, is possible only on the basis of the data from the two semi-annual reports of 2005. It is immediately clear as in the two reports in question that no bank is found in the Warning class with both rules not respected, which confirms that it has always been the most respected indicator and therefore from a certain point of view, the least discriminating factor between healthy banks and problematic banks.

Table 9
Respect of the Supervisory Maturity Transformation

Reporting date	**Normality 3 respected rules**		**Attention 1 not respected rule**		**Warning 2 not respected rules**	
	banks	*% RF*	*banks*	*% RF*	*banks*	*% RF*
30/06/2005	261	93,27	27	6,73	0	0,00
31/12/2005	252	81,53	34	18,47	0	0,00
30/06/2006						

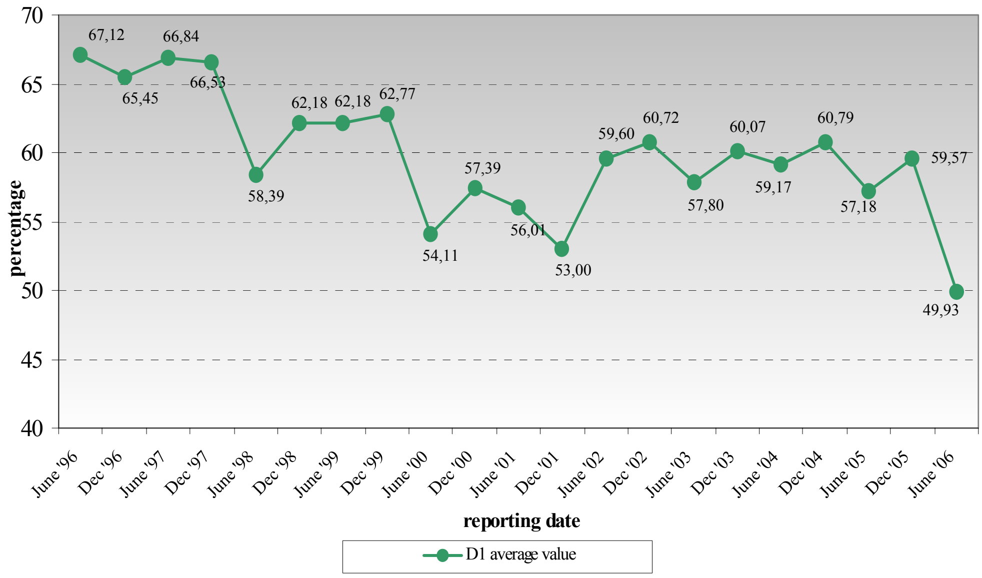
Source: FITD - Bank of Italy Reports.

Profitability

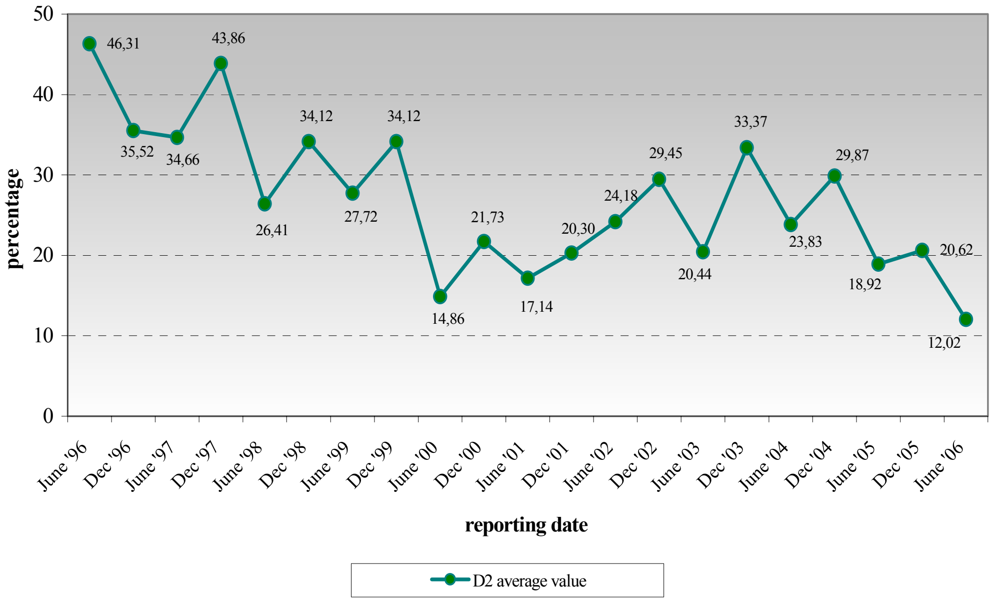
The indicators for profitability, D1 (Operating expenses / Gross income) and D2 (Loan losses, net of recoveries / Profit, before tax) are traditionally those with the greater number of banks in the Violation class (Graphs 7 and 8).

In June 2006 both indicators (Graph 7 and Graph 8) registered the lowest values since June 1996. These results, especially in the case of D1, may be partially influenced by the application of the new accounting principles (IAS/IFRS).

Graph 7
D1 performance from June 1996 to June 2006

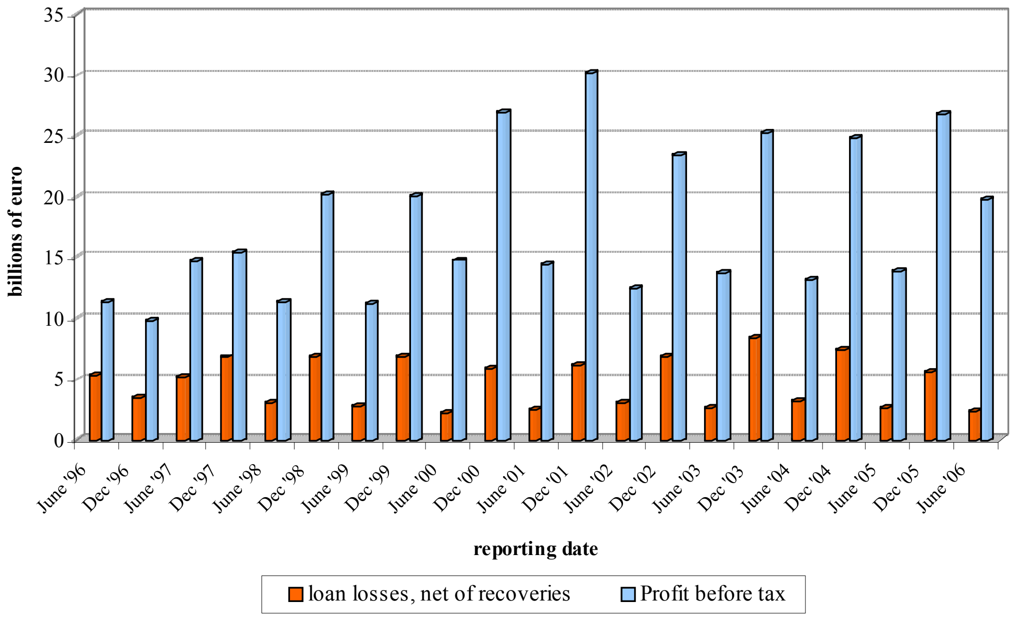


Graph 8
D2 performance from June 1996 to June 2006



The swinging trends that are shown by the graphs appear even more dramatic for ratio D2 (graph 9); this is 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 semi-annually, a correct comparison should be made on a twelve-month basis.

Graph 9
Loan losses, net of recovery, and Gross Income from June 1996 to June 2006



The analysis of class distribution of banks for the D1 indicator demonstrates that, between June 2005 and June 2006, there was a consistent increase in the number of member banks classified in the Normal class (+28); there was a reduction of member banks in the Attention class (-12), in the Warning class (-3) and in the Violation class (-12) (Table 10). With regard to RF, there was a shift in the same direction with an increase of 9,25% of funds in the Normal class and a reduction in funds of the Warning class (-6,19%) and in Violation class (-3,85%).

Table 10
D1 indicator: Class distribution of banks

Reporting date	**Normality < 70%**		**Attention < 80%**		**Warning < 90%**		**Violation > 90%**	
	banks	*% RF*	*banks*	*% RF*	*banks*	*% RF*	*banks*	*% RF*
30/06/2005	191	76,21	43	11,44	19	7,55	35	4,80
31/12/2005	188	77,87	42	13,29	24	5,58	32	3,26
30/06/2006	219	85,46	31	12,23	16	1,36	23	0,95

Source: FITD - Bank of Italy Reports.

As far as regards D2, the analysis of class distribution demonstrates an increase in the number of banks in the Normal class (+4) and a reduction in the Violation class (Table 11). With respect to RF, there was a shift of funds to the Normality class (+3,98%) and a shift of funds away from the Warning class (-3,85%).

Table 11
D2 Indicator: Class distribution of banks

Reporting date	**Normality < 40%**		**Attention < 50%**		**Warning < 60%**		**Violation > 60%**	
	banks	*% RF*	*banks*	*% RF*	*banks*	*% RF*	*banks*	*% RF*
30/06/2005	251	86,28	9	1,29	5	5,26	23	7,17
31/12/2005	243	82,81	9	5,94	6	0,38	28	10,87
30/06/2006	255	90,26	9	1,77	5	1,68	20	6,30

Source: FITD - Bank of Italy Reports.

Table 12 shows data relating to the number of banks, amount of RF and average values of financial indicators, and such data has been divided on the basis of three macro-regions: North, Centre and South, for the three reports in question.

Table 12
RF and average values for Geographic Areas

Date	AREA	Banks	RF	A1	B1	D1	D2
June '05	NORTH	174	244.366.787.438	6,69%	207,23%	57,03%	17,44%
	CENTRE	80	88.063.089.813	14,26%	204,80%	57,88%	22,16%
	SOUTH	34	39.612.406.731	34,62%	172,33%	46,16%	25,33%
Dec '05	NORTH	173	254.349.385.400	5,58%	219,96%	57,83%	19,24%
	CENTRE	79	89.635.467.017	12,66%	200,53%	61,84%	22,76%
	SOUTH	34	41.489.395.969	20,11%	173,65%	70,16%	31,87%
June '06	NORTH	176	256.058.529.005	4,81%	219,57%	46,95%	10,05%
	CENTRE	79	90.496.002.183	11,73%	189,86%	55,07%	19,01%
	SOUTH	34	41.577.690.933	16,61%	162,15%	68,21%	13,57%

Note: The subdivision for macro-regions was made on the basis of registered offices.
Source: FITD - Bank of Italy Reports.

In June 2006, the banks in the North represented 60,9% of the consortium, while banks in the Centre represented 27,3% and banks in the South 11,8%. RF may be accounted for as follows: 65,9% in the North, 23,4% in the Centre and 10,7% in the South.

It is interesting to observe how the average values of the financial indicators, divided on the basis of economic areas, reflect different economic conditions.

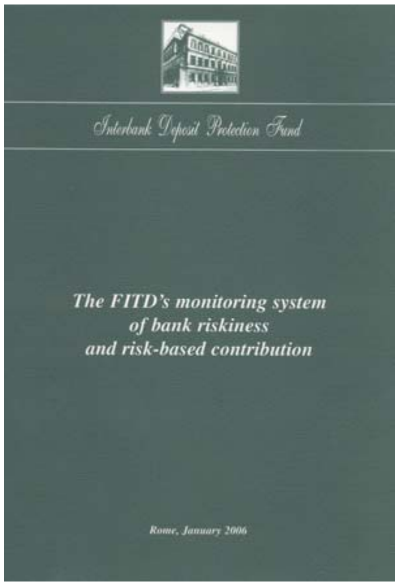
The A1 indicator for the banks in the North has a value of 4,81; such value is 11,73% for banks in the Centre and 16,61% for banks in the South. As far as the B1 indicator, banks in the north are more capitalized (219,57%) than banks in the Centre (189,86%) and the South (162,15%). Profitability is also greater in the North. It must be underlined that the banks in the South demonstrate a better D2 value (13,57%) than banks in the Centre (19,01%).

Comparing the three semi-annual periods, it may be noted that the banks in the North have improved their average values for all four indicators. The banks in the Centre have improved their risk profile and their profitability profile, while those in the South have significantly reduced the value of the A1 indicator (Bad debts / Shareholders' equity + Subordinated loans) and have almost reduced the D2 indicator by half.

Institutional Activities and International Relations

During the year, the manual entitled “The FITD’s monitoring system of bank riskiness and risk-based contribution” was **published** in Italian and in English.

The main scope of the manual is to provide the members with a valid reference for a simple and complete fulfilment of statutory obligations. It likewise lends itself as a useful tool for relationships with other institutions, and in the international field as well.



In March 2006, a comparative study edited by the Offices of FITD and entitled "Deposit Insurance in the EU" was published.

This work traces the fundamental characteristics of deposit guarantee in the 25 countries of the EU through the principles in the Directive 94/19/EC. It also makes comparisons among the individual national schemes. At the same time, it lends itself as a useful reference manual, thanks to the structure which is focused on technical schedules for each individual country.

The research for this study began at the end of 2005 and it makes reference to the results of a questionnaire, issued in 2004-2005, for the schemes adhering to EFDI (European Forum of Deposit Insurers).


Fondo Interbancario di Tutela dei Depositi

L'ASSICURAZIONE DEI DEPOSITI
NELL'UNIONE EUROPEA

Marzo 2006

Research Projects

As far as research projects underway, during the year, the phase of analysis and the study to identify **consolidated** financial indicators, to be considered jointly with a bank's individual ratios (pursuant to that provided for by Article 1 of the FITD Statutes) continued. There have been several meetings with the Bank of Italy to analyse in detail the issues, especially in light of the review of the consolidated supervisory reports, in compliance with the **new international accounting standards** (IAS), to be valid for balance sheets closing on the 31st of December 2005.

As far as regards the set of individual financial indicators currently used by the Fund to evaluate the risk level members, FITD shall conduct a review of the system in the near future following the Bank of Italy's adjusted supervisory reports in accordance with the IAS-IFRS standards. Along such lines, there has already been correspondence with the Bank of Italy having specific reference to the profitability profile; such indicators regard reports dated December 2006.

The research activities conducted during the year marked the beginning of an effective collaboration with the **JRC - Joint Research Centre** of the European Commission. There have been several meetings to further examine matters of mutual interest. Some meetings took place at the Fund's main office and others took place at the main office of the JRC in Ispra, Varese. Two research projects are currently underway: the first aims to evaluate the resilience of the financial indicators used by FITD; the second aims to evaluate a detailed paper that focuses on the characteristics related to the deposit guarantee schemes in the European Union.

In 2006 positive effects of the progressive consolidation of a **communication** system with the members which was introduced in 2003 were noted; such progressive consolidation focused on the use of a special area of the Fund's web site that has reserved access. All the information regarding the financial indicators (and the relevant adjustments), the contribution base and the feedback data passed through this specially dedicated area.

During the year, furthermore, the planning for a new software application for the integrated management of statutory reports and communication with members began.

Conferences

As far as conferences promoted by the Fund, on the 7th of February 2006, a round table on "Banking Balance Sheets according to IAS-IFRS" was held with the participation of academics, international consultants and member banks.

On the 23rd of June 2006, the conference "New frontiers in the management of credit risk" was held in Naples, having been promoted by the Parthenope University of Naples in collaboration with FITD.

The meeting was organised on the occasion of Professor Ed Atlman's (New York University) presence and it was dedicated to the recent evolution of models and techniques of managing credit risk with reference to both the bond market and the issuing of credit line. Prominent experts from the banking sector and academic world, at both the national and international level, participated.

A meeting with a representative from the European Commission (Mr. Tobias Mackie) was held on the 22nd of February 2006 at the main office of the Fund regarding the review of the Directive. The collaboration between FITD and the JRC was inspired by that meeting, with the aim of creating, on the behalf of the JRC, a questionnaire on deposit guarantee to be sent to the schemes of the 25 EU nations.

In June, a representative from the Central Bank of Paraguay was hosted by the main office of the Fund for a three-day internship, aimed at the cultural exchange between institutions and a closer examination of matters directly relating to deposit insurance.

International relations

The international relations have been particularly intense since Italy holds the Chairmanship of the European Forum of Deposit Insurers (EFDI).

During the year, various meetings regarding topics of great interest to Guarantee Schemes, were promoted and organized, in collaboration with European *Partners.*

Meetings

On the 30th and the 31st of March, a delegation from the Polish Fund was hosted by the Offices of FITD. Such delegation was interested in further examining matters inherent in deposit insurance with a particular focus on the evaluation of bank risk levels through the use of balance sheet indicators.

On the 21st of April, a Chinese delegation, consisting of members of the Fund and the Central Bank, was welcomed by FITD for a meeting that focused primarily on the relationship between FITD and the Bank of Italy.

On the 13th of July, a representative from the Armenian Guarantee Fund was hosted by the Offices of FITD. The goal of the meeting was to share the functions of the Italian Fund, so as to convey the twenty year experience attained by FITD with the current Armenian situation.

On the 8th of September, there was a cordial encounter of the Chairman of the Korean Fund (KDIC - Korean Deposit Insurance Corporation) and the Chairman of EFDI, which demonstrates how the European Forum has become known in Asia as well.

On the 12th of September, FITD hosted a delegation of central bankers and banking experts from Kazakistan and Tajikistan, aimed at learning the operations of the Italian Fund and European Forum in order to evaluate the feasibility of implementing, in the two countries, systems of deposit insurance that currently do not exist.

The month of September ended with a three day visit (from the 13th to the 15th) of representatives from the Romanian Fund. The delegation wanted to further examine the risk monitoring activity, the management of data and the relationship of FITD with the Bank of Italy. The interest began as a result of the amendments made to the Romanian regulations on deposit guarantee, which took place following the results attained by the collaboration with FITD and the World Bank in 2005.

On the 19th of May, EFDI organized a meeting in Amsterdam of the Investor Compensation Schemes to further explore the themes related to Directive 97/9/EC.

On the 13th of June, a meeting of EFDI and the EU Working Group took place in Berlin. On that occasion the European Commission, represented by Thorsten Behenke, reported to all present the results attained during the review of the Directive 94/19/EC.

At the end of 2006, on the 30th of November and the 1st of December, the Annual Meeting of EFDI, chaired by Italy, was held in Palermo at the Bank of Italy's office. Approximately 100 representatives from 34 European nations attended.

During the Annual Meeting in Palermo the first Report officially produced under the aegis of EFDI, but edited entirely by the Analysis and Research Department of the Interbank Deposit Protection Fund, was presented.

The research was based on qualitative and quantitative information collected directly from various Deposit Guarantee Schemes that participated in the European Forum of Deposit Insurers (EFDI) in 2005 and it lends itself as a concise handbook of information and a tool for comparisons that differentiates the various schemes belonging to EFDI.

The volume is available on both FITD's web site (www.fitd.it) and EFDI's web site (www.efdi.net).

Interventions

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

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: on the 21st of September 2006, a document relating to the transfer of credit from the liquidation bodies to the Fund was signed. The request for guarantee made to the Fund by the Liquidation body, awaiting the outcome of remaining court matters, was estimated at 450.000 euro. The Board on the 18th of October 2006 decided to issue the guarantee for such value in the favour of the liquidation bodies of Banco di Tricesimo, to allow the closing of the bankruptcy procedures.

Banca di Girgenti: the litigation, that in 2006 was the subject of continuous assessment, followed the normal course litigation procedures and the situation remained unchanged in its general features.

Cassa di Risparmio di Prato: the unique litigation still pending before the courts has not yielded any decisions yet.

Regarding the commitment for interventions for the 2006 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 the 30th of June 2005, which is equal to 1.488.169.135 euro.

Supplement to the 2006 Financial Statements

The present Supplement aims to illustrate and comment on the items and amounts listed in the Balance Sheet and Income Statement, and in so doing, it demonstrates the evaluation criteria adopted in preparing the financial statements.

Further qualitative and quantitative information is also provided pursuant to Article 2427 of the Italian Civil Code.

As far as the accounting principle of continuity, the evaluation criteria have not changed with respect to previous financial years.

In observing the transparency principles, the amounts on the financial statements as of the 31st of December 2006 are compared to those of the 31st of December 2005.

In the financial statements, the amounts are rounded up to the nearest euro if they are greater than 50 cents and rounded down if they are less than 50 cents.

The Income Statement for the year 2006 demonstrates a loss of € 68.290,00.

Balance Sheet

The fixed assets are listed in the Balance Sheet at their net accounting values, which are calculated as the difference between the purchase costs, plus accessory charges and the total depreciations or amortisations effected. The total as of the 31st of December 2006 is € 41.300,00 with a decrease of € 15.368,00.

Intangible fixed assets amounts to the costs related to renovating the location hosting the Italian Interbank Deposit Protection Fund and the charges sustained for purchases of software licenses.

The accounting value was determined by calculating the sum of the costs sustained over time and the amortisation amount. The overall net amount is € 11.783,00, which reflects a decrease of € 9.534,00 compared to the previous financial year:

a) Costs of starting up and expansion: includes the costs sustained for renovation and maintenance work of the offices of the Italian Interbank Deposit Protection Fund. The amount appearing in the financial statements is net of amortisations, and is calculated at constant periods, in relation to the economic potential of such structures, and in relation to the residual possibility of using the same structure. For such parameter, the time remaining until the expiration of the lease (in 2009), which was renewed in 2003 for an additional 6 years, was taken into consideration.

   In the 2006 financial year, such item reflected the following changes:

Net accounting value as of 01.01.2006	€	3.300,00
Increases in the financial year	€	1.920,00
Amortisation quota for 2006	€	- 1.740,00
Net accounting value as of 31.12.2006	€	3.480,00

b) Concessions and licenses: this section shows charges sustained for purchases of software licenses, net of amortisations calculated a constant periods, bearing in mind the potential profitable use in three financial years.

The changes recorded are summarized as follows:

Net accounting value as of 01.01.2006	€	18.017,00
Purchases for the period	€	3.229,00
Amortisation quota for 2006	€	- 12.943,00
Net accounting value as of 31.12.2006	€	8.303,00

Net of amortisation reserve, the tangible fixed assets is entered in the financial statements' assets in the overall amount of € 29.517,00. Compared to the previous financial year, a decrease of € 5.834,00 is recorded.

In particular:

- Electronic and electromechanic machines (594.811,00 – 573.275,00)	€	21.536,00
- Furniture and furnishings (517.653,00 – 517.653,00)	€	0,00
- Equipment and various plants (251.739,00 – 243.757,00)	€	7.982,00

During the period, the following tangible fixed assets were purchased for the following amounts:

- Electronic and electromechanic machines	€	18.805,00
- Equipment and various plants	€	7.482,00

There are no fixed financial assets as was the case in previous financial years.

As far as purchased goods and services, the inventories includes advances to suppliers which may be recovered within the next financial year for a total of € 10.190,00.

The Receivables are listed under Balance Sheet - Assets at nominal value, and this matches the presumed value of the same.

Receivables from Members amounts to € 216.644,00 and consists of: € 65.023,00, paid out to Banco di Tricesimo, which is in compulsory administrative liquidation, which the Italian Interbank Deposit Protection is providing guarantee for the conclusion of a legal dispute against the liquidation proceedings; € 86.621,00 for legal invoices issued for expenses anticipated in the name of and on behalf of the Italian Interbank Deposit Protection Fund for interventions regarding Cassa di Risparmio di Prato (€ 62.141,00) and Banca di Girgenti (€ 24.480,00); € 65.000,00 is the balance of contributions for operating expenses for 2006.

Receivables for advance taxes, furthermore, amount to € 6.180,00.

Receivables considered recoverable within the following financial year corresponds to (i) the Receivables from the Tax Authorities in the amount of € 83.527,00, consisting of advances from IRAP (€ 73.706,00) regularly paid during the current financial year, advance withholdings on bank interest income (€ 9.805,00), advances on substitution taxes on the staff severance fund (17,00), and to (ii) Other receivables in the amount of € 8.215,00, relating to advance expenses on behalf of Art'è S.p.A. for energy and extarordinary maintenance work on the climate control plant.

Receivables considered recoverable after the following financial year is listed in the financial statements in the amount of € 184,00 and corresponds directly to direct taxes claimed as receivable by the Italian Interbank Deposit Protection Fund.

Total receivables listed in the financial statements is equal to € 314.750,00, which reflects a decrease of € 163.423,00 compared to the previous financial year.

Cash and Equivalent**,** also listed at nominal value, is equal to a total amount of € 554.568,00 and it consists of bank deposits having a credit balance of € 546.863,00 and of cash in the amount of € 7.705,00. Compared to the previous financial statements, there is an increase in the amount of € 113.828,00.

Current assets, therefore, presents a total of € 879.508,00, which reflects a loss of € 46.350,00 compared to the previous financial statements.

In respect of the accounting principle of accrual basis accounting, under accrued income and prepaid expenses, prepaid expenses is presented in the amount of € 19.292,00, and this amount reflects a decreased in the amount of € 23.093,00 with respect to the 2006 financial statements.

Under the Net asset value, the Consortium Fund is equal to € 439.917,00, and the loss for the 2006 financial year is equal to € 68.290,00. The overall amount is € 371.626,00 with a decrease of € 10.621,00 compared to the previous financial year due to an increase in the loss for 2006 financial year.

As provided for by the assembly's approval of the previous financial statements, the loss for the 2005 financial year in the amount of

€ 57.669,00 has been settled through the partial write off of a surplus of contributions from the previous financial year that were intended to cover operating expenses.

Provisions for Risks and Charges amounts to € 92.730,00 and consists of: i) provision for deferred taxes in the amount of € 77,00, ii) provisions for supplementary Pension Funds for pension and similar costs in the amount of € 54.130,00, and iii) other costs in the amount of € 38.523,00 which consists of € 33.623,00 for previous provisions for supplementary pension funds and € 4.900,00 for provisions for insurance premiums granted to personnel. Compared to the previous financial statements, a decrease in the amount of € 53.569,00 is noted.

The Staff Severance Fund is listed under the Balance Sheet – Liabilities in the amount of € 15.099,00, with a decrease in the amount of € 10.984,00 compared to the amount listed in the 2005 financial statements.

Payables are listed in the amount of € 460.644,00, and compared to the last financial year, have decreased by € 9.637,00.

Payables considered recoverable within the next financial year amounts to € 97.239,00, composed of payables to collaborators and consultants in the amount of € 5.733,00 and payables to suppliers in the amount of € 91.506,00.

Tax payables amounts to € 139.533,00, € 41.622,00 of which include advance withholdings approved for third parties for professional loans and received consulting; € 23.517,00 for fiscal with-holdings on compensations for employee work salaries and wages; € 74.394,00 for tax payables for the 2006 financial year. Compared to last year's financial statements, an increase in tax payables in the amount of € 14.510,00 is recorded, due to the increase in the IRAP tax rate (from 4,25% up to 5,25%) decided by Region of Lazio.

Payables to social security institutions demonstrates a balance of € 37.399,00 and relates to the contributions to be paid for salaries and wages in December 2006.

Short term payables to personnel amounts to € 25.000,00 and relates to 2006 bonuses that are still to be paid out.

No payables considered recoverable after the next financial year were recorded, as was the case in the previous year as well.

Payables to member banks amounts to € 161.464,00 and relates to: € 62.141,00 for bills to cover legal expenses of cases that are still underway and regard the intervention carried out for Cassa di Risparmio di Prato; € 99.333,00 which is the balance of contributions for the 2006 operation expenses, withheld by the Interbank Fund as an advance sum for 2007 (Article 22 of the Statutes).

There are no accrued expenses and deferred income.

Interim Accounts

The members' commitment to the contribution obligations of resources for interventions is present in the interim accounts.

The descriptive form adopted for these amounts shows, not only their sums but also their composition, purpose and eventual payments.

For greater comparisons regarding the management of interventions, refer to the Management Report that accompanies the Financial Statements.

Income Statement

The graduated form adopted shows the progressive formation of the economic results whose sum consists of the following partial results:

A) Production value	€	2.486.405,00
B) Production costs	€	- 2.512.255,00
A-B) Difference between value and costs	€	- 25.849,00
C) Financial management	€	36.314,00
D) Value adjustments to financial assets	€	0,00
E) Extraordinary management	€	- 10.465,00
Net profit before taxes	€	0,00
22) Taxes for the period	€	68.290,00
23) Loss for the period	€	- 68.290,00

Production value, equal to € 2.486.405,00, consists of member contributions, which covers the operating expenses of € 2.465.667,00, and other revenue and income in the amount of € 20.739,00.

Production costs amounts to € 2.512.255,00 and consists of costs for services, leases and rentals, and for personnel by amortisation and various management charges. Costs for services (item 7), amounts to € 982.097,00, which is € 12.862,00 less than the amount listed in the 2005 financial statements.

As provided for in the accounting principles applied, the following charges have been provided for in the Costs for services:

Meal vouchers for employees	€	5.960,00
Refunds to employees	€	23.418,00
Training expenses for employees	€	24.978,00
Legal and notary expenses	€	12.409,00

Compensation and refund OO.CC.	€	656.352,00
Compensation for consultants	€	71.872,00
Professional loans	€	53.996,00
Expenses and bank charges	€	1.958,00
Telephone expenses	€	26.353,00
Postal expenses	€	6.383,00
Transport, shipping and handling	€	996,00
Cleaning expenses	€	2.955,00
Maintenance of furniture, machines and equipment	€	11.597,00
Maintenance and updating of the computer system	€	7.839,00
Management of motor vehicles	€	5.674,00
Fuel for motor vehicles	€	1.307,00
Insurance expenses	€	5.184,00
Electrical energy expenses	€	26.246,00
Contributions to INPS L. 335/95	€	8.819,00
Foreign and institutional relations	€	27.757,00
Contributions to INAIL (quasi-employees)	€	44,00

Compensation and refund OO.CC consists of:

Compensation and reimbursements – Committee	€	395.349,00
Compensation and reimbursements – Board	€	195.047,00
Compensation and reimbursements – Auditors	€	62.375,00
Expenses for organising meetings	€	3.581,00

Item (9), costs for personnel, amounts to charges of € 797.269,00, which reflects a decrease of € 31.246,00 compared to the previous financial year.

Wages and salaries	€	563.523,00
Staff severance fund	€	40.529,00
Pension and similar costs	€	15.673,00
Other personnel charges	€	22.684,00
Social security contributions	€	152.493,00
Other contributions	€	2.367,00

As of the 31st of December 2006, there were ten employees at FITD; five were office and clerical workers, four were managers and one was a director.

The amortisation of intangible fixed assets was calculated and entered into the Income Statement as item 10 in the amount of € 14.683,00.

In detail, this consists of: € 1.740,00 for the amortisation of costs for Renovating FITD's office and € 12.943,00 for the amortisation of software license rights.

The amount for the depreciation of tangible fixed assets, item 10, letter b), is equal to € 32.121,00.

In particular:

Electric and electromechanic machines .	€	22.164,00
Furniture and furnishings	€	1.500,00
Equipment and various plants	€	8.457,00

Therefore, item 10, Amortisations/Depreciations, amounts to a total of € 46.804,00, and with respect to the 2005 financial statements, there is a decrease in the amount of € 11.776,00.

Various management expenses, indicated as item 14 on the Income Statement, amounts to € 59.617,00 as of the 31st of December 2006, which reflects a decrease of € 2.422,00 compared to 2005, and it includes the following items:

Books, CDs, magazine and newspapers	€	7.886,00
Stationery and office supplies	€	4.930,00
Entertainment expenses	€	9.960,00
General expenses	€	5.836,00
Press and publications	€	16.588,00
Taxes	€	11.874,00
Stamp duties	€	1.719,00
Administrative requirements	€	824,00

The difference between production value and costs is a negative sum of € 25.849,00 which reflects an increase in the amount of € 1.617,00 compared to the previous year.

As far as regards financial management, Other financial income is recorded in item 16 as € 36.314,00 relating to interest receivable on bank accounts.

Total income and financial charges presents an increase in the amount of € 6.994,00 compared to the 2005 financial statements.

Total income and extraordinary charges includes: item 20 (Income), prior period income and rounded income in the amount of € 251,00, and Charges listed in item 21, which relates to prior period and round losses in the amount of € 10.715,00. The balance of extraordinary items, therefore demonstrates a negative balance of € 10.465,00 which reflects an increase of € 5.377,00 compared to the 31st of December 2005.

As a result of the Italian Interbank Deposit Protection Fund's consortium nature and the non profit aims, the Net profit before taxes demonstrates that the positive and negative items are equivalent.

The Income taxes for the period, present as item 22 on the Income Statement, were determined in observance of the fiscal laws in force regarding IRES and IRAP. By applying such norms, FITD faces a charge from IRES in the amount of € 1.499,00 and from IRAP in the amount of € 72.895,00. In observing the general principle of accrual basis accounting, 2006 advance taxes and deferred taxes were calculated in the amount of € 6.180,00 and € 77,00, respectively.

Therefore, the final result for the 2006 financial year listed in item 23 is a loss for the period in the amount of € 68.290,00, which corresponds to the same tax charge and it shall be covered with the surplus balance of contributions for the operating expenses for 2006 by the members.

Statutory Auditors Report

Statutory Auditors Report

During the 2006 financial year, the Board of Statutory Auditors made its observations on the 2006 financial statements and on the activities carried out by the Italian Interbank Deposit Protection Fund to the members at the General Meeting.

For the purposes of providing a better information report, the financial statement formats have been drafted in accordance with the extended form provided for by Article 2424 and other articles of the Italian Civil Code.

The comparison to the past financial year has been assured by the presentation of data contained in the financial statements for the year ending on the 31st of December 2005.

With respect to the accounting principle of continuity, the evaluation criteria has not changed with respect to that adopted for previous financial years.

The positive and negative income components have been determined by applying transparency principles for financial statements.

The Supplement describes the accounting principles of the financial statements in a detailed way and with reference to both their composition and the evaluation criteria adopted.

In the Report on Operations, the Board of Auditors presented its own observations on the operation trends, and it gave special attention to institutional activities carried out by the offices of the Italian Interbank Deposit Protection Fund at the General Meeting.

The analysis of the Income Statement presents a result, that breaks even before taxes, which, after the tax obligations, amounts to a loss of 68.290,00 euro which is equal to said taxes (IRAP, IRES, advance taxes and deferred taxes). Such result is consistent with a consortium nature and the non-profit aims of the Italian Interbank Deposit Protection Fund.

With full respect for the decision taken by the General Meeting of Members in 2006, the loss for the 2005 financial statements, which was equal to 57.669,00 euro, was settled with the balance of operation contributions from members, without having first written off the portion of advanced and deferred taxes.

The contribution quota for operations that was paid out by members and was a surplus amount with respect to the charges recorded, is equal to 99.333,00 euro. Such amount was kept by the Italian Interbank Deposit Protection Fund for the 2007 financial year, as provided for by Article 22 of the Statutes.

The financial year ending on the 31st of December 2006, and the relevant financial statements may be summarized as follows:

BALANCE SHEET

- Intangible Assets	euro	11.783
- Tangible Assets	euro	29.517
- Inventories	euro	10.190
- Receivables	euro	314.750
- Cash and Equivalent	euro	554.568
- Accrued Expenses and Deferred Income	euro	19.292
Total Assets	**euro**	**940.100**
- Consortium Fund	euro	439.917
- Loss for the period	euro	- 68.290
Total Net Asset Value	**euro**	**371.626**
- Provisions for risks and charges	euro	92.730
- Staff Severance Fund	euro	15.099
- Payables:		
a) Tax payables	euro	139.533
b) Other payables	euro	321.111
Total Liabilities and Net Asset Value	**euro**	**940.100**

Interim Accounts

I – MANAGEMENT INTERVENTIONS		
A Commitments for interventions in 2006	euro	1.488.169.136
B.1 Commitments for deliberated interventions not paid out	euro	450.000
B.2 Commitments for deliberated interventions paid out	euro	0
C Commitments for interventions to be deliberated	euro	1.487.719.136
II – LEASING INSTALMENTS TO BE PAID	euro	0

INCOME STATEMENT

Value of production			euro	2.486.405
Costs for services	euro	- 982.097		
Cost for leases and rentals	euro	- 626.467		
Cost for personnel	euro	- 797.269		
Amortisations and Depreciations	euro	- 46.804		
Various management expenses	euro	- 59.617		
Total cost of production			euro	- 2.512.255
Difference between production value and cost			euro	- 25.849
Total financial income and charges			euro	36.314
Total extraordinary items			euro	- 10.465
Net profit before taxes			euro	0
Income taxes for the period			euro	68.290
Profit (loss) for the period			euro	(68.290)

The loss pursuant to the Italian Civil Code coincides with the taxes on the income for the financial year, with a payable to the Tax Authorities of 74.394,00 euro as duly shown in the Liabilities of the Balance Sheet as items D12) letter d).

The calculation of resources for interventions for the 2005 financial year was attained using the provision of Article 21 of the Italian Interbank Deposit Protection Fund's Statutes and the Board's decisions regarding the matter at hand. The overall resources for the interventions totalled 1.488.169.136,00 euro, corresponding to the 0,4% of reimbursable funds as of the 30th of June 2005.

The amount of 450.000,00 euro is demonstrated, which is the maximum estimated commitment for the complete closing of the liquidating activities of the Banco di Tricesimo.

Therefore, as of the 31st of December 2006, the remaining commitment for interventions to be resolved is 1.487.719.136,00 euro.

As far the activities of the Board of Auditors, we confirm to having carried out a careful verification of both the assets and liabilities and the economic components contained in the financial statements, and on the basis of periodic and constant verifications that were carried out by us, we certify the following:

- in preparing the Balance Sheet and Income Statement, the principles and provisions pursuant to Articles 2423 and 2425 of the Italian Civil Code were respected;
- the items of the financial statements were evaluated observing the criteria set forth in Article 2426 of the Italian Civil Code, explained and described in the Supplement and fully shared by this Board;
- in the Balance Sheet, all the liability items relating to matured payables of the period were reported;
- the evaluation criteria adopted have not changed with respect to the previous financial year and the amortisation/depreciation coefficients do not differ from those provided for by the relevant fiscal provisions;
- the principle of accrual basis accounting was followed for the accounting of expenses relating to intangible fixed assets pursuant to paragraph 5, Article 2426 of the Italian Civil Code;
- the annual quotas of the depreciation of the tangible fixed assets and the amortisation of intangible fixed assets, whose potential use have been calculated according to the criteria of regularity with reference to the residual possibility of using the such property;
- with the exception of amounts intended for complementary pension, the Italian Interbank Deposit Protection Fund holds matured amounts for personnel that have been given raises in accordance with the applicable laws for Staff Severance Fund listed in the financial statements;
- the fiscal charge of the Income Statement was calculated in observance of the fiscal provisions in force. Furthermore the

calculation and separate highlighting of advance and deferred taxes was carried out.

- there was no appeal made to the derogations, pursuant to the fourth paragraph of Article 2423 of the Italian Civil Code, and no monetary re-valuation of property was carried out;
- the amounts reported in the financial statements are confirmed in the documents and general accounting prepared in accordance with the law.

During the period, the Board of Statutory Auditors carried out careful and periodic administrative and accounting verifications on the basis of which the correct accounting positions and the correspondence of the financial statements to the accounting results have been attested.

Such verifications have allowed the careful surveillance of expenses sustained with respect to the estimate approved by the General Meeting in 2005.

The Board of Statutory Auditors, furthermore, having participated in all the meetings of the Board of Directors and Executive Committee, guarantees the Italian Interbank Deposit Protection Fund's respect for the provisions of the Law and the Statutes in the Italian Interbank Deposit Protection Fund's management.

The loss for the financial period that was recorded in the amount of euro 68.290,00, on the basis of that proposed by the Board of Directors in the Supplement to the Financial Statements, may be settled with the operation contributions that were a surplus amount as of the 31st of December 2006.

As far as that stated above, the Board of Auditors expresses it favourable opinion on the approval of the financial statements and the reference to the loss for the financial year.

In closing the present Report, the Board of Auditors would like to express its appreciation to the members of the Board of Directors and the Executive Committee for the effective and professional activities that were carried out.

A special thanks, furthermore, to the Italian Interbank Deposit Protection Fund's Secretary General and the Italian Interbank Deposit Protection Fund's employees for their commitment and collaboration given in their respective roles during the financial year.

Chairman	Auditors	
R. Mastrostefano	A. Passadore	G. Berneschi

Balance Sheet

BALANCE SHEET - ASSETS	31/12/2006			31/12/2005		
A - Receivables due from shareholders for unpaid capital			===			===
B - Fixed Assets						
I - Intangible Assets						
1) Start-up and expansion costs		3.480			3.300	
2) Research, development and advertising costs		===			===	
3) Industrial patent and intellectual property rights		===			===	
4) Concessions, licenses, trademarks and similar rights		8.303			18.017	
5) Goodwill		===			===	
6) Fixed assets under development and advances		===			===	
7) Others		===			===	
Total Intangible Assets			11.783			21.317
II - Tangible Assets						
1) Land and buildings		===			===	
2) Plant and equipment		21.536			26.395	
a) Electric and electromechanical machines	594.811			576.006		
minus depreciation reserve	(573.275)			(551.111)		
b) Furniture and furnishings	517.653			517.653		
minus depreciation reserve	(517.653)			(516.153)		
c) Automobile and motor vehicles	===			===		
minus depreciation reserve	===			===		
3) Industrial and commercial equipment		===			===	
4) Equipment and various plant	251.739	7.982		244.257	8.956	
minus depreciation reserve	(243.757)			(235.300)		
5) Fixed assets under construction and advances		===			===	
Total tangible assets			29.517			35.351
III - Investments						
1) Equity investments in:		===			===	
a) Subsidiary companies	===			===		
b) Affiliated companies	===			===		
c) Parent companies	===			===		
d) Other companies	===			===		
2) Receivables from:		===			===	
a) Subsidiary companies	===			===		
b) Affiliated companies	===			===		
c) Parent companies	===			===		
d) Other companies	===			===		
3) Other securities		===			===	
4) Own shares		===			===	
Total investments			===			===
Total fixed assets (B)			41.300			56.668

BALANCE SHEET - ASSETS	31/12/2006			31/12/2005		
C - Current Assets						
I - Inventories						
1) Raw materials, secondary materials and consumables		===			===	
2) Work in progress and semi-finished goods		===			===	
3) Work underway on request		===			===	
4) Finished goods and goods		===			===	
5) Advances to suppliers		10.190			6.946	
Total inventories			10.190			6.946
II - Receivables						
1) From Members, payable within 12 months		216.644			356.621	
a) Advance amounts for interventions	65.023			===		
b) Extraordinary charges for carrying out interventions	86.621			86.621		
c) Refund of expenses for operations	65.000			270.000		
d) Intervention quotas	===			===		
2) From subsidiary companies		===			===	
3) From affiliated companies		===			===	
4) From parent companies		===			===	
4-bis) Tax assets		===			===	
4-ter) Advance taxes		6.180			4.224	
5) Due from others, within 12 months		91.742			77.366	
a) From Tax Authorities for VAT	===			===		
b) From Tax Authorities, for advances and withholdings issued	83.527			70.665		
c) Other receivables	8.215			6.701		
Due from others, after 12 months		184			39.962	
d) From Tax Authorities for direct taxes	184			21.394		
e) From Tax Authorities for interest on tax receivables	===			18.568		
f) From Tax Authorities for advance Staff Severance withholdings	===			===		
Total receivables			314.750			478.173
III - Current financial assets						
1) Equity investments in subsidiary companies		===			===	
2) Equity investments in affiliated companies		===			===	
3) Equity investments in parent companies		===			===	
4) Other equity investments		===			===	
5) Own shares		===			===	
6) Other securities		===			===	
Total financial assets			===			===
IV - Cash and Equivalent						
1) Depositi bancari e postali		546.863			435.006	
a) Deposit with Banca Nazionale del Lavoro	161.417			19.056		
b) Deposit with Banca di Roma	182.997			415.949		
c) Deposit with Banca Nazionale del Lavoro (Banca Tesoriere)	===			===		
d) Deposit with Cassa di Risparmio di Ferrara	202.448			===		
2) Checks		===			===	
3) Cash on-hand and valuables		7.705			5.734	
Total cash and equivalent			554.568			440.740
Total Current Assets (C)			879.508			925.858
D - Accrued income and prepaid expenses						
1) Discount on loans		===			===	
2) Other income and prepaid expenses		19.292			42.385	
Total Accrued income and prepaid expenses (D)			19.292			42.385
TOTAL ASSETS = A + B + C + D			940.100			1.024.911

BALANCE SHEET - LIABILITES	31/12/2006			31/12/2005		
A - Shareholders' equity						
I - Consortile Fund		439.917			439.917	
II - Share capital		===			===	
III - Revaluation reserve		===			===	
IV - Legal reserve		===			===	
V - Statutory reserve		===			===	
VI - Reserve for own shares		===			===	
VII - Other reserves		===			===	
VIII - Profit (loss) carried over		===			===	
IX - Profit (loss) for the period		(68.290)			(57.669)	
X - Balance for the period		===			===	
Total equity (A)			371.626			382.247
B - Provisions for risks and charges						
1) Pension and similar costs		54.130			87.360	
2) Provision for taxes		===			===	
3) Provision for deferred taxes		77			112	
4) Provision for renewal of personnel contracts		===			===	
5) Other provisions		38.523			58.828	
Total provisions for risks and charges (B)			92.730			146.299
C - Staff Severance Fund						
1) Staff Severance Fund		15.099			26.083	
Total staff severance fund (C)			15.099			26.083
D - Payables						
1) Bonds		===			===	
2) Convertible bonds		===			===	
3) Payables to members for financing		===			===	
4) Payables to banks		===			===	
5) Payables to other lenders		===			===	
6) Advances		===			===	
7) Payables due within 12 months		97.239			108.345	
a) to OO.CC: Board Members, Directors, Auditors	===			400		
b) to collaborators, consultants, lawyers	5.733			375		
c) to suppliers	91.506			107.570		
8) Debt instruments		===			===	
9) Payables to subsidiaries		===			===	
10) Payables to affiliated companies		===			===	
11) Payables to parent companies		===			===	
12) Taxes payable		139.533			125.023	
a) to the Tax Authorities for advance withholdings	41.622			40.847		
b) to the Tax Authorities for VAT	===			===		
c) for fiscal withholdings	23.517			22.367		
d) for other taxes payable	74.394			61.809		
13) Payables to social security institutions		37.399			26.819	
14) Other payables due within 12 months for personnel		25.000			17.000	
15) Payables to suppliers due after 12 months		===			===	
16) Payables to members		161.474			193.094	
a) for advances on refunds of expenses for operations	99.333			130.953		
b) for interventions	===			===		
c) for intervention quotas	62.141			62.141		
Total payables (D)			460.644			470.281
E - Accrued expenses and deferred income						
1) Premium on loans		===			===	
2) Other expenses and deferred income		===			===	
Total accrued expenses and deferred income			===			===
TOTALE PASSIVO = A + B + C + D + E			940.100			1.024.911

	31/12/2006			31/12/2005		
INCOME STATEMENT						
I - Management of Interventions						
Members' Commitment, pursuant to Article 21 of the Statutes for the Fund's intervention						
A) Commitment for the financial year for interventions (0,4% of Reimbursable Funds)			1.488.169.136			1.442.245.321
B) Commitment for deliberated interventions						
B.1) Commitment for deliberated interventions, not yet paid out			450.000,00			200.000
a) C.R. Prato		===			===	
b) Banca di Girgenti		===			===	
c) Banco di Tricesimo		450.000			200.000	
Of which: Further reimbursable deposits	===			===		
Guarantee lent to the liquidation in capital	450.000			200.000		
Guarantee lent to the liquidation: adjustment for interest	===			===		
B.2) Commitment for deliberated interventions, within the financial year			===			===
a) CR Prato: legal expenses and charges		===			===	
b) Banca di Girgenti: expenses, charges and interest due to the liquidation		===			===	
c) Banco di Tricesimo: activation of guarantee for charges of the liquidation		===			===	
C) Commitment for interventions to be deliberated (C = A - B1 - B2)			1.487.719.136			1.442.045.321
II - Leasing installments to be paid			===			===

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BOARD OF AUDITORS Prof. Renato Mastrostefano Dr. Giovanni Berneschi Dr. Agostino Passadore

INCOME STATEMENT	31/12/2006			31/12/2005		
A - Value of production						
1) Member quotas		2.465.667			2.439.047	
2) Changes in inventory of works in progress, semi-finished goods and finished goods		===			===	
3) Difference in work underway on request		===			===	
4) Increases in fixed assets for internal works		===			===	
5) Other proceeds		20.739			10.395	
Total value of production (A)			2.486.405			2.449.442
B - Costs of production						
6) Raw materials, secondary materials and consumables		===			===	
7) Services		982.097			994.959	
8) Use of un-owned property		626.467			587.072	
9) Personnel		797.269			766.023	
a) Wages	563.523			532.474		
b) Social security contributions	2.367			2.165		
c) Staff Severance Fund	40.529			40.072		
d) Pension and Similar costs	15.673			15.366		
e) Other personnel charges	22.684			18.611		
f) Social security and pension charges	152.493			157.335		
g) Balances for new contracts				===		
10) Ammortizations and devaluations		46.804			58.580	
a) Ammortization of immaterial immobilizations						
1) Start-up and expansion costs	1.740			1.100		
2) Concessions, licenses (software)	12.943			24.627		
b) Ammortization of material immobilizations						
1) Electric and electromechanical machines	22.164			17.767		
2) Furniture and furnishings	1.500			4.500		
3) Automobile and motor vehicles	===			===		
4) Equipment and various plant	8.457			10.586		
c) Other Ammortizations and devaluations	===			===		
d) Write-downs of assets in the current assets and cash equivalent	===			===		
11) Changes in inventory of raw materials, secondary materials and consumables		===			===	
12) Reserve for risks		===			5.000	
13) Other reserves		===			===	
14) Management charges		59.617			62.039	
Total costs of production			2.512.255			2.473.673
Difference among costs and value of production(A - B)			(25.849)			(24.232)
C - Income and charges						
15) 15) Income from:		===			===	
a) Subsidiary companies	===			===		
b) Affiliated companies	===			===		
c) Others	===			===		

INCOME STATEMENT	31/12/2006			31/12/2005		
16) 16) Other financial income		36.314			29.365	
a) from receivables listed in fixed assets						
1) from affiliated companies	===			===		
2) from subsidiary companies	===			===		
3) from parent companies	===			===		
4) from other companies	===			===		
b) from securities listed in the fixed assets that do no constitute shareholdings	===			===		
c) from securities listed in the current assets that do not constitute shareholding	===			===		
d) income differing from preceding items						
1) from subsidiaries	===			===		
2) from affiliated companies	===			===		
3) from parent companies	===			===		
4) from other companies						
a) on bank accounts	36.314			28.830		
b) on tax receivables	===			535		
17) Interest and other financial charges		===			===	
a) to subsidiary companies	===			===		
b) to affiliated companies	===			===		
c) to parent companies	===			===		
d) to other companies						
1) on short term advances (bank accounts)	===			===		
2) from the Tax Authorities	===			===		
3) on financial leases	===			===		
17-bis) Foreign exchange gains and losses		===			(45)	
Total financial income and charges (15 + 16 - 17 + 17bis)			36.314			29.320
D - Value adjustments to financial assets						
18) Revaluations		===			===	
a) of equity investments	===			===		
b) of financial fixed assets that do not constitute shareholdings	===			===		
c) of securities listed in the current assets that do not constitute shareholdings	===			===		
19) Write-downs		===			===	
a) of equity investments	===			===		
b) of financial fixed assets that do not constitute shareholdings	===			===		
c) of securities listed in the current assets that do not constitute shareholdings	===			===		
Total adjustments (18 - 19)			===			===
E - Extraordinary income and charges						
20) Income		251			3.252	
a) Capital gains from asset disposals	===			===		
b) Other income						
1) prior period income	249			3.244		
2) rounded income	2			8		
3) extraordinary income	===			===		
21) Charges		10.715			8.340	
a) Capital losses from asset disposals	===			===		
b) Taxes relating to previous financial years	===			===		
c) Other charges						
1) prior period losses	10.708			8.336		
2) rounded losses	7			5		
Total extraordinary income and charges (20 - 21)			(10.465)			(5.088)
Result before taxes (A - B + C + D + E)			0			0
22) Income taxes for the financial year		68.290			57.669	
a) IRES	1.499			1.866		
b) IRAP	72.895			59.915		
c) Advance taxes	(6.180)			(4.224)		
d) Deferred taxes	77			112		
23) Profit (loss) for the financial year			(68.290)			(57.669)

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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 2006;
- 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 2006 of A1, B1, D1 and D2 indicators and of the Aggregate Indicator.

AVERAGE VALUES

Date	RATIOS						Aggregate Indicator	Reimbursable Funds	
	A1	A2	B1	B2	D1	D2		in bil £ire	in bil 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	23,74	1,85	698.219	360,6
31/12/04	11,04		210		60,79	29,87	1,73	710.805	367,1
30/6/05	9,9		204,88		58,18	18,92	1,59	720.292	372,0
31/12/05	7,89		212,98		59,57	20,62	1,63	746.432	385,5
30/6/06	6,87		209,47		49,94	11,97	1,17	751.466	388,1

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

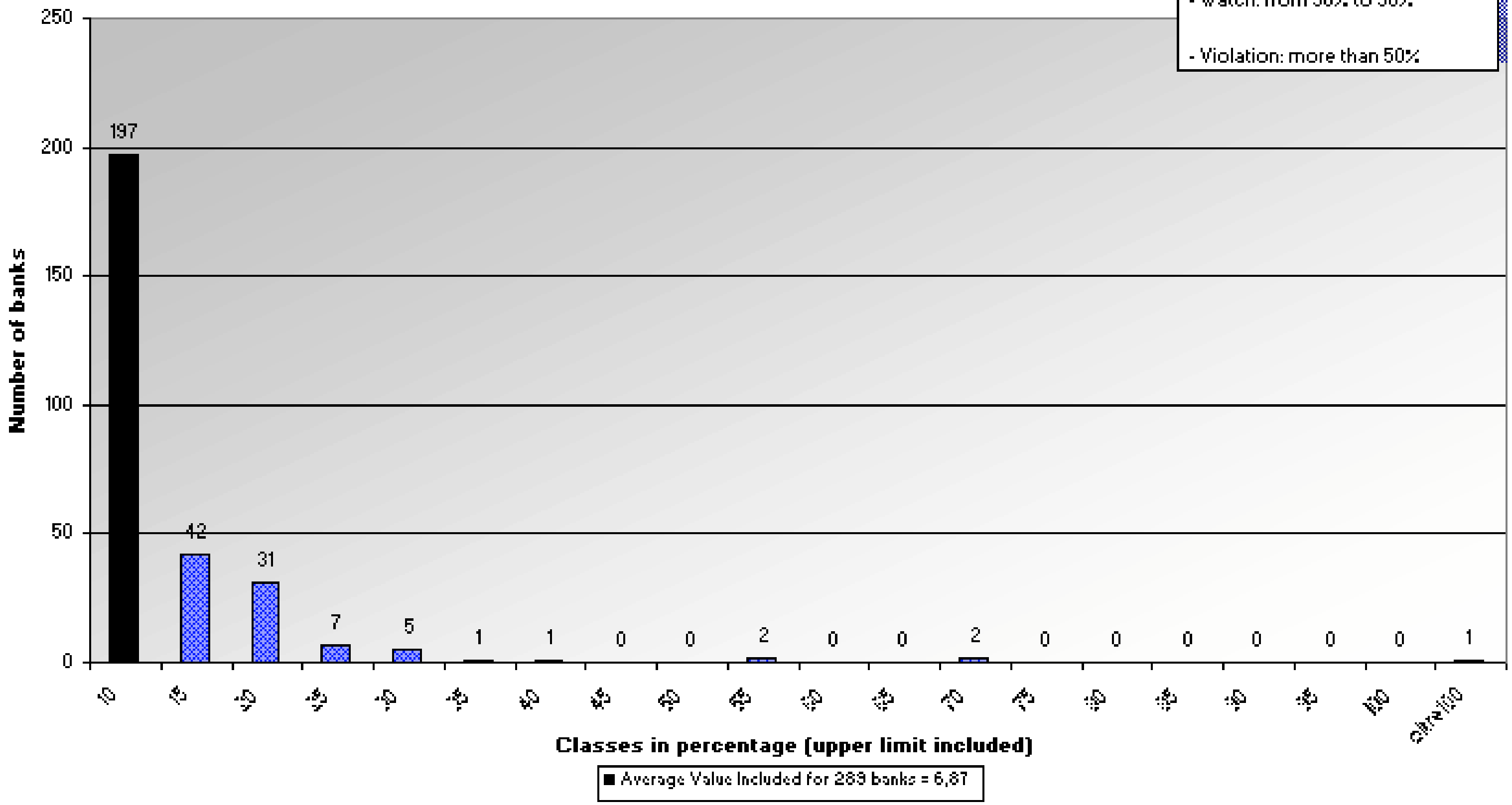
Statutory Positions

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
Bad debts / Shareholders' equity + Subordinated loans

STATUTORY CLASSES

- Normality: up to 20%
- Attention: from 20% to 30%
- Watch: from 30% to 50%
- Violation: more than 50%

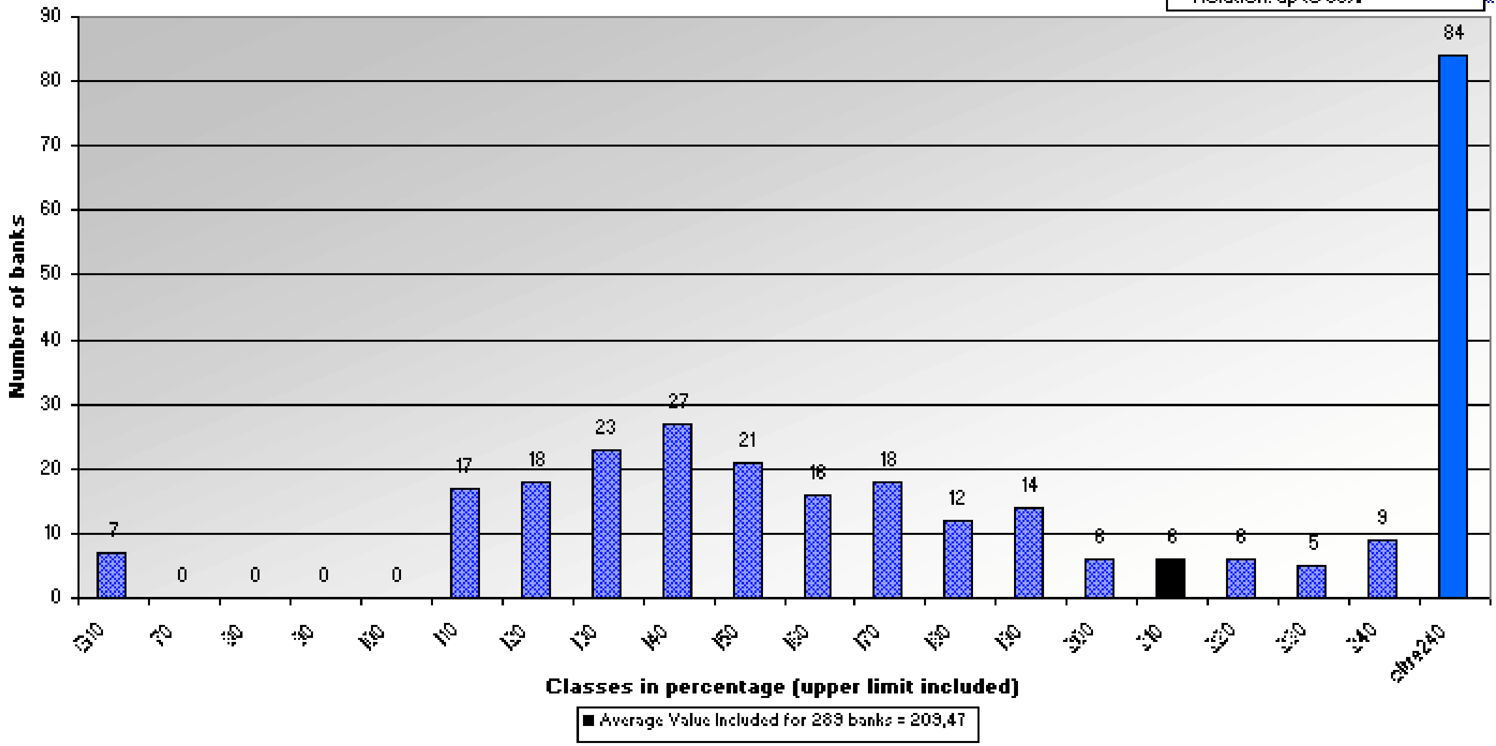


RATIO B1

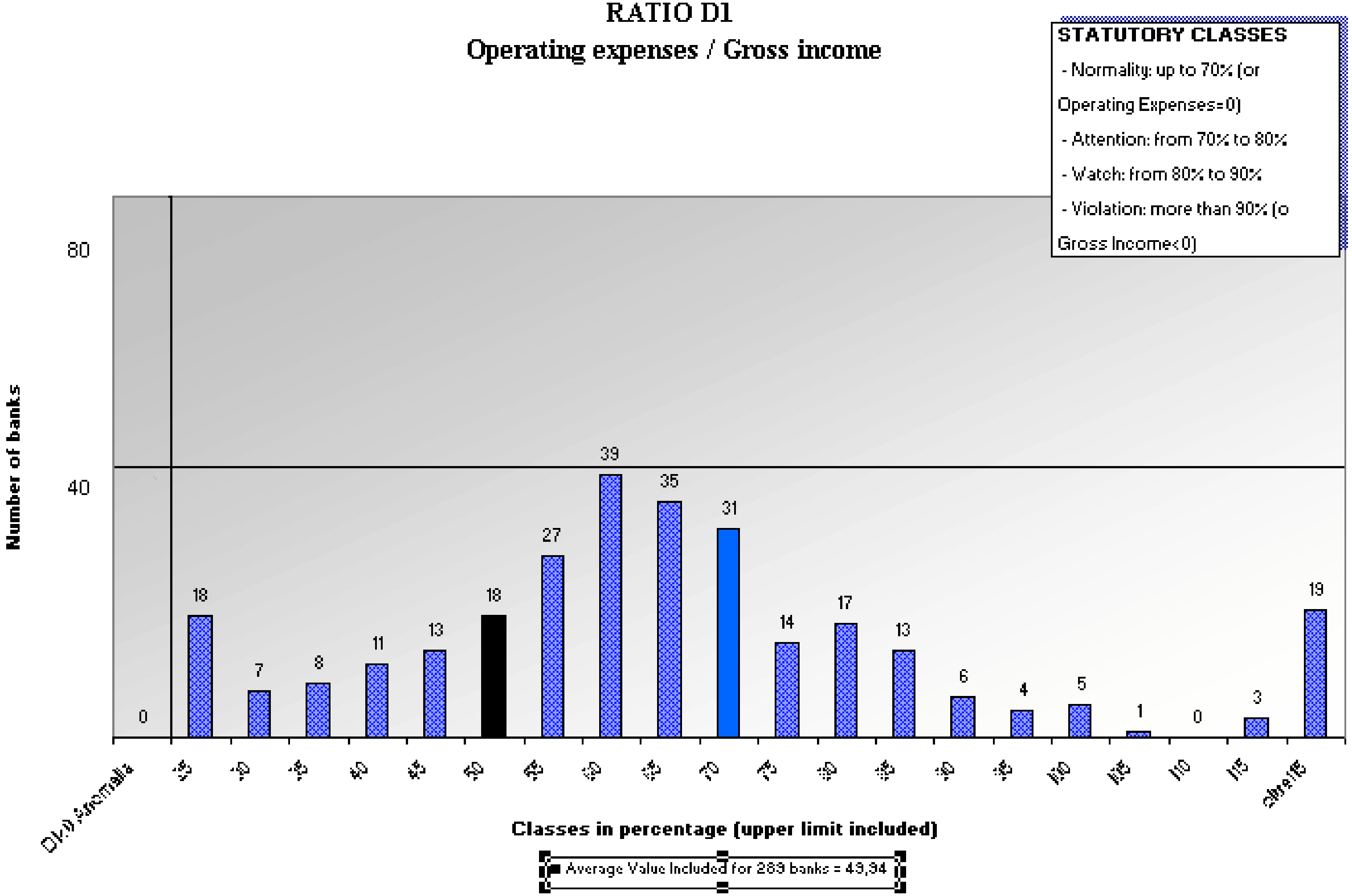
Supervisory Capital / Supervisory Capital Requirements

STATUTORY CLASSES

- Normality: more than 110%
- Attention: from 110% to 100%
- Watch: from 100% to 90%
- Violation: up to 90%

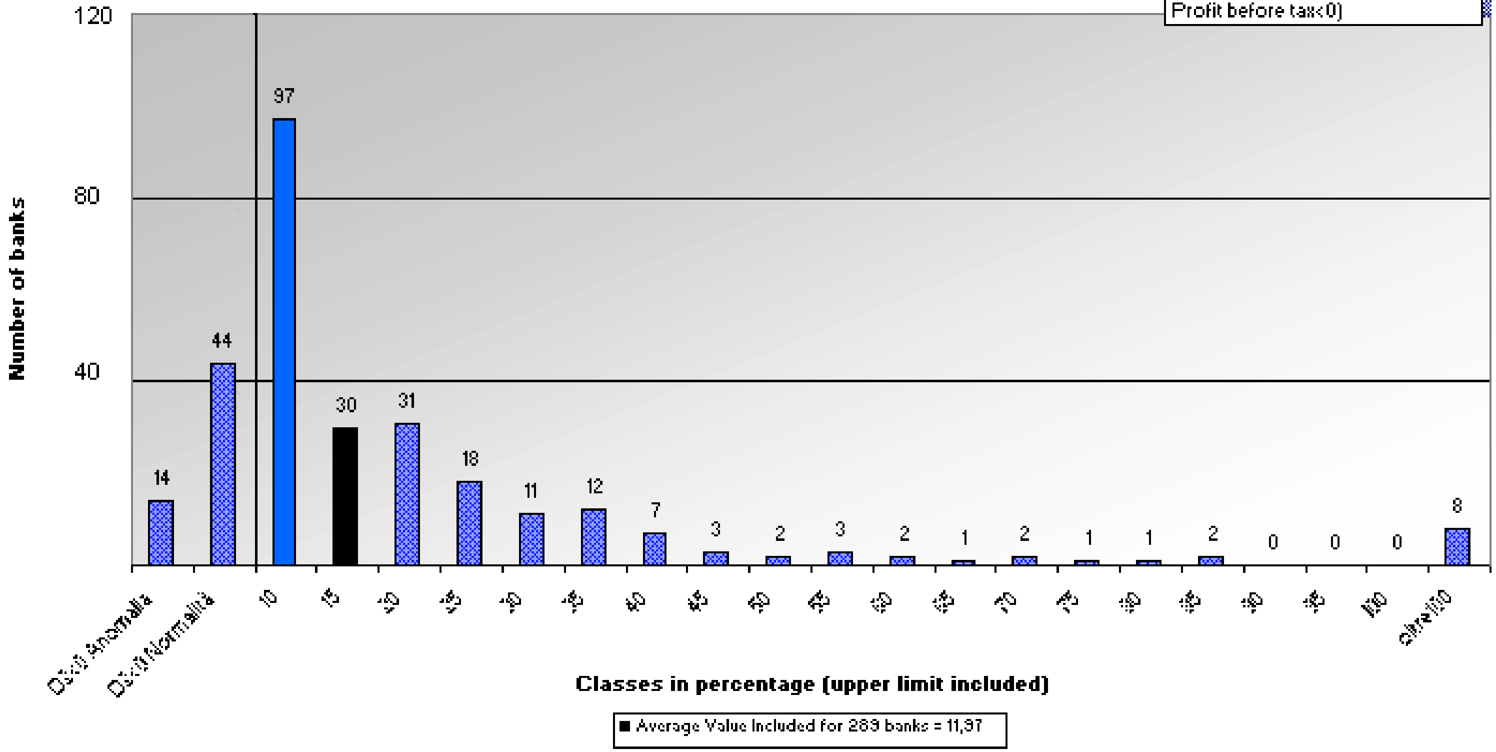


RATIO D1
Operating expenses / Gross income



RATIO D2
Loan losses, net of recoveries / Profit, before tax

STATUTORY CLASSES
- Normality: up to 40% (o Loan Losses<=0)
- Attention: from 40% to 50%
- Watch: from 50% to 60%
- Violation: more than 60% (or Profit before tax<0)



BANK RISKINESS
Aggregate Indicator (AI)