Fondo Interbancario di Tutela dei Depositi

Interbank Deposit Protection Fund

Annual Report 2011

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This is a translation of the Italian original and has been prepared solely for the convenience of readers. 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 directly requested from the Fund.

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Statistical analysis

As at 31 December 2011 there were 259 member banks of the Interbank Deposit Protection Fund (hereinafter FITD or Fund). The Consortium also includes 9 subsidiaries in Italy of non EU banks, joining the Fund on a mandatory basis, and 1 branch of an EU bank, participating voluntarily in the Fund to top up their home country guarantee. It is worth noting that a maximum harmonised level of coverage equal to 100.000 euro is applied in all EU countries as a result of Directive 2009/14/EC issued on 11 March 2009. This directive was implemented in Italy by the legislative decree n. 49 of 24 March 2011, with effect from 7 May 2011. The harmonisation of the coverage level has removed *topping-up* concerning the level, while for the scope of coverage it remains applicable until the completion of the ongoing revision process of Directive 94/19/EC.

In 2011, 19 mergers, 3 new adhesions and 3 withdrawals of membership were recorded (Table 1).

As at the end of 2011, of the 259 member banks 5 are in Special administration.

Table 1
Variation in the composition of the consortium
(December 2010 - December 2011)

Events	Banks
Member banks as of 31 December 2010	278
Mergers (-)	19
Transfers of Assets and Liabilities (-)	0
Withdrawal of membership (-)	3
New member banks (+)	3
Member banks as of 31 December 2011	259
of which in Special Administration	5

Source: Elaborations on FITD data.

Reimbursable funds of member banks

This paragraph shows the evolution in the past ten years of the three aggregates used to define the amount of protected deposits: *eligible deposits*, *reimbursable funds* and *deposits up to the limit of coverage*[1](see Table 2 and Graph 1).

Table 2

Evolution of eligible deposits and reimbursable funds

Date	**Eligible deposits**	**RF up to 103,291.38 euro**	**Deposits up to 103,291.38 euro**
	billion euro		
June-01	375.6	296.3	258.9
Dec-01	410.1	319.5	277.4
June -02	414.2	319.7	276.1
Dec -02	436.0	332.9	288.5
June -03	444.1	336.9	290.2
Dec -03	465.3	353.2	303.5
June -04	470.1	353.5	270.5
Dec -04	496.5	371.6	302.4
June -05	513.6	377.6	319.1
Dec -05	525.7	390.2	315.2
June -06	542.0	394.5	331.4
Dec -06	566.2	401.5	341.0
June -07	560.5	401.5	335.4
Dec -07	574.3	402.3	334.1
June -08	581.0	400.5	330.6
Dec -08	615.5	422.9	348.3
June -09	652.0	447.6	363.7
Dec -09	694.6	468.0	376.9
June -10	693.6	470.4	377.9
Dec -10	692.0	470.0	380.5
June - 11 *	674.5	459.8	366.3

* *Data as at the end of June 2011 are based on the coverage limit equal to 100,000 euro in force since 7th May 2011. Source: elaborations on FITD data.*

[1] "Eligible deposits" is the amount of deposits repayable by FITD held by protected depositors, net of all the exclusions, as provided for by Article 27, paragraphs 1 and 2 of the Statutes (current accounts, deposits, bank drafts and nominative certificates of deposit), before the level of coverage is applied.

"Reimbursable funds" is the amount of deposits obtained from eligible deposits when applying the level of coverage provided for in the legislation, i.e. the amount reimbursed by FITD in the case of liquidation of a member bank.

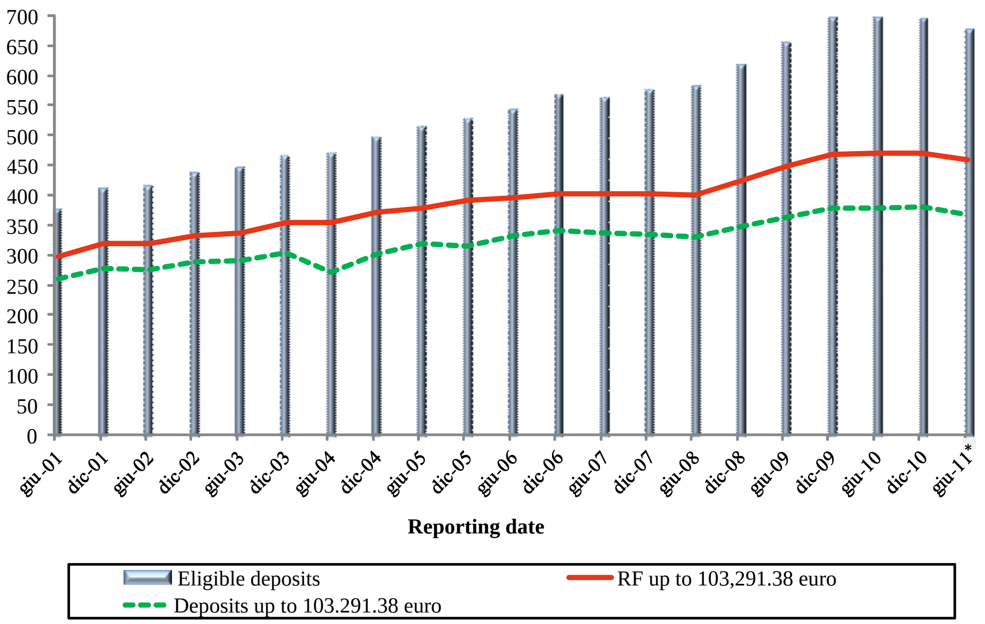
"Deposits up to the coverage level" is a smaller amount than reimbursable funds, since it does not include the part of reimbursable deposits with a balance above the coverage limit.

With reference to the data for 30 June 2011, total Reimbursable Funds (RF) by FITD amounted to 459.8 billion euro, with a decrease of 2.2% compared to the previous year. This decrease can be explained considering the change to the coverage level entered into force on 7 May 2011, following the implementation of Directive 2009/14/EC which harmonised the coverage level at 100.000 euro per depositor and in so far reducing the previous Italian level of 103,291.38 euro (i.e. the equivalent in euro of the original coverage level of 200.000.000 lire fixed in 1996).

The legislative decree n. 49 of 24 March 2011, implementing Directive 2009/14/EC, significantly modified the payout timeframe applied by the deposit guarantee schemes. Since the inception of the decree, the time limit for payout has been reduced to 20 working days from 3 months previously provided for by the legislation based on Directive 94/19/EC. The new time limit is applied counting from the date on which the compulsory administrative liquidation of the bank is effective and can be only extended once by a further 10 days under exceptional circumstances.

Graph 1

Evolution of eligible deposits and reimbursable funds



* *Data as at the end of June 2011 are based on the coverage limit equal to 100,000 euro in force since 7th May 2011.*

Source: elaborations on FITD data.

As at June 2011, RF amounts to 68.2% of eligible deposits. Deposits up to the coverage level represents 79.6% of RF and 54.3% of eligible deposits.

Considering RF, some member banks (22) have a contribution base equal to zero. For these banks, the FITD Statutes derogates with regards to the balance sheet ratios, since these banks do not represent a risk for the consortium.

Member banks distribution by statutory positions

The analysis that follows is based on the performance of financial indicators in 2011 using data recorded in the statutory reports of June 2010, December 2010 and June 2011[2].

Table 3

Member banks distribution by statutory positions [3]

Statutory Position	June-10			Dec-10			June-11		
	Banks	RF	% RF	Banks	RF	% RF	Banks	RF	% RF
Normal	161	267,151,785,691	56.8	139	225,826,617,376	48.0	144	317,668,753,519	69.1
Attention	46	81,272,897,688	17.3	41	131,823,142,522	28.0	48	77,783,026,553	16.9
Warning	25	90,169,286,027	19.2	25	68,736,321,502	14.6	19	27,106,669,093	5.9
Penalty	49	31,150,042,976	6.6	53	38,315,392,259	8.2	43	25,764,805,250	5.6
Severe Imbalance	3	400,836,888	0.1	5	2,151,991,607	0.5	6	8,355,598,247	1.8
Expulsion	1	47,610,946	0.0	6	1,350,063,481	0.3	5	1,297,624,783	0.3
In Special Administration	6	166,056,305	0.0	7	1,781,988,340	0.4	6	1,801,933,487	0.4
Total Banks	**291**	**470,358,516,520**	**100**	**276**	**469,985,517,087**	**100**	**271**	**459,778,410,932**	**100**

Source: elaborations on FITD - Bank of Italy data.

Compared to June 2010, the number of banks in low risk classes (statutory positions: normal and attention) decreased by 15, while the corresponding RF increased by around 12%.

Banks rated in medium risk classes (warning and penalty) decreased by 12, with a decrease of 14.3% in RF.

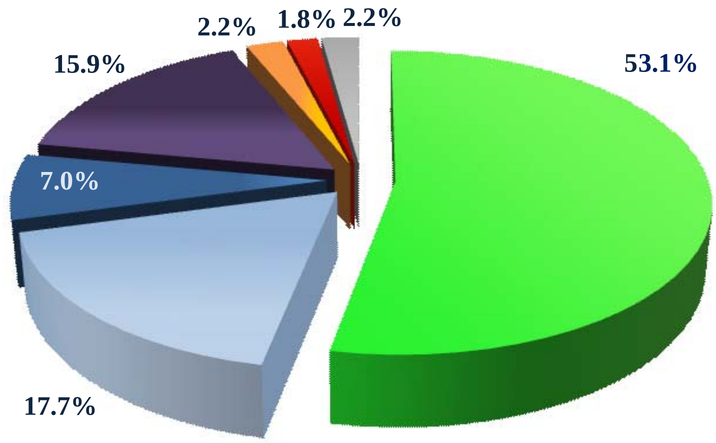
Banks in high risk classes (severe imbalance and expulsion) increased by 7. As at June 2011, 6 banks were classified in severe imbalance with RF (8.4 billion euro) amounting to around 1.8% of the total, while 5 were in the expulsion class with an amount of reimbursable funds (1.3 billion euro) equal to 0.3% of total RF.

[2] To the extent of the present analysis, the number of banks taken into account only considers members banks that sent statutory reports as at the three considered reporting dates. It does not refer to the total number of member banks participating in the Consortium at the same dates.

[3] To determine statutory positions, see Article 2 of the Appendix to FITD's Statutes.

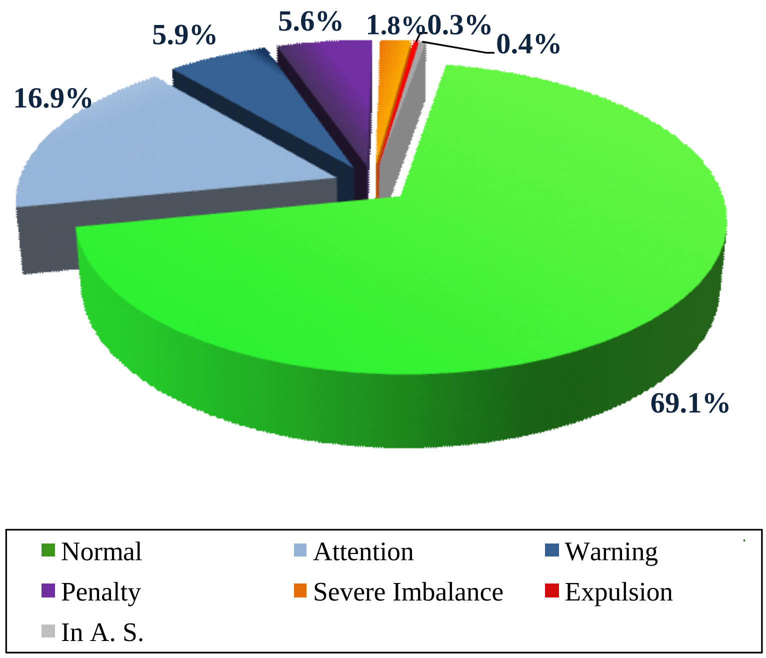
Graph 2

Member banks distribution by statutory positions



Graph 3

RF distribution by statutory positions



Source: elaborations on FITD - Bank of Italy data.

Table 4 shows the median values[4] of the 4 balance sheet ratios as of June 2011.

The median value of the indicator of Risk A1 *(Bad debts / Supervisory Capital)* was 13.08%, with an increase of 3.31% compared to June 2010.

The solvency ratio B1 *(Supervisory capital, including Tier 3 / Supervisory capital requirements)* was substantially in line with the data recorded in the previous year, decreasing by 0.23% compared to June 2010.

The median value of the profitability ratio D1 *(Operating expenses / Gross income)* decreased from 70.91% in June 2010 to 69.86% in June 2011 (-1.05%).

Concerning D2 *(Loan losses, net of recoveries / Profit before tax)*, the median value increased in the same period by 1.92%, from 27.19% to 29.11%.

Table 4

Indicators median values

Ratios		June-10	Dec-10	June-11
A1	Bad debts / Supervisory Capital	9.77	10.65	13.08
B1	Supervisory Capital + tier 3 / Total capital requirements	196.82	197.18	196.59
D1	Operating expenses / Gross income	70.91	71.79	69.86
D2	Loan losses net of recoveries / Profit before tax	27.19	27.81	29.11

Source: elaborations on FITD - Bank of Italy data.

[4] In a distribution, the median is the value given by the 50° percentile (p.le).

In the following, a brief analysis of the balance sheet ratios time series over the past ten years is discussed.

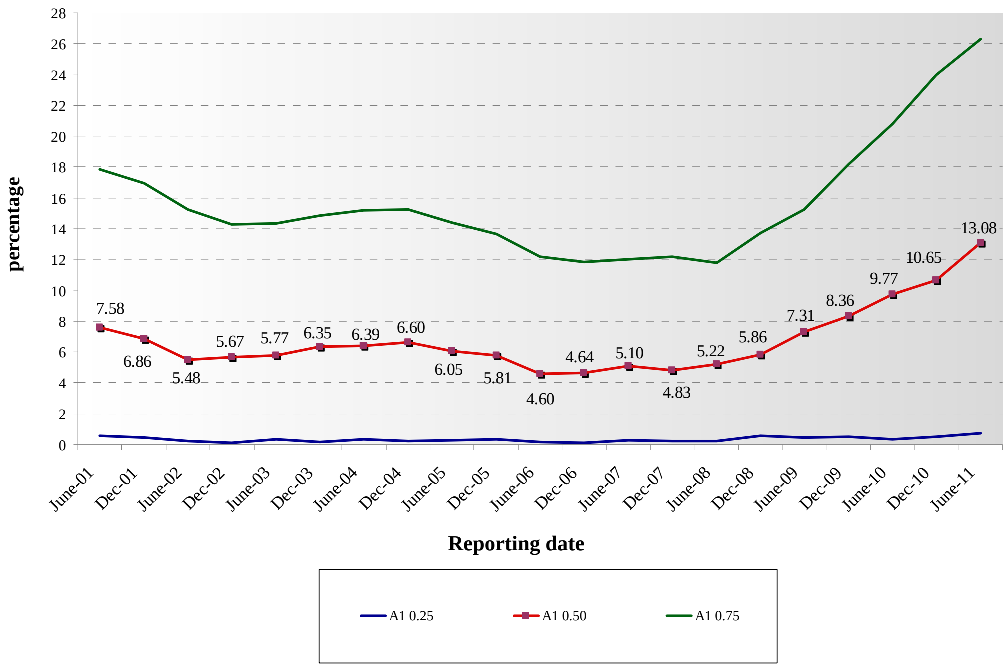
Three out of four ratios show a negative trend since 2008, at the peak of the current financial crisis. Only the solvency ratio, strictly linked to Basel 2 regulations, does not seem to follow the same trend.

Risk

The median value of the A1 risk indicator *(Bad debts / Supervisory Capital)* was 13.08% as at June 2011, confirming the increasing trend recorded since the first half of 2008 (Graph 4).

Graph 4

A1 performance from June 2001 to June 2011



Source: elaborations on FITD - Bank of Italy data.

Table 7 shows the class distribution of member banks concerning A1. As at June 2011 banks rated in the normal and attention classes decreased respectively by 34 and 9, while an increase was recorded in the warning class (+15) and in violation (+8) compared to June 2010.

RF recorded a variation in the same direction over the same period. Specifically, RF decreased by 10.42% for banks rated in the normal class and by 0.16% for those in attention. Banks in the warning class increased their RF by 9.19% and an increase of 1.38% was recorded for member banks in violation.

Table 7
A1 indicator: class distribution for member banks

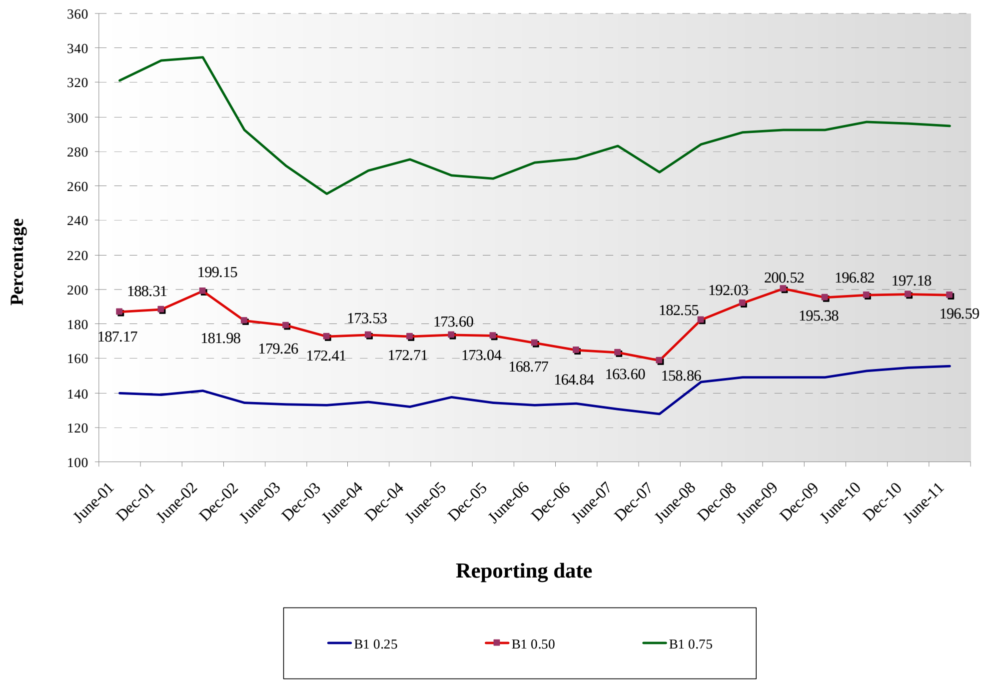
A1	Normal ≤ 20%		20% < Attention ≤ 30%		30% < Warning ≤ 50%		Violation > 50%	
	Banks	% RF	Banks	% RF	Banks	% RF	Banks	% RF
June-10	212	70.94	48	22.62	21	5.99	10	0.46
Dec-10	189	66.11	43	19.87	29	13.53	15	0.50
June-11	178	60.52	39	22.46	36	15.18	18	1.84

Source: elaborations on FITD - Bank of Italy data.

Solvency

Graph 6 shows the trend of the median value of B1 *(Supervisory capital, including Tier 3 / Supervisory capital requirements)* over the period June 2001 - June 2011.

Graph 6
B1 performance from June 2001 to June 2011



Source: elaborations on FITD - Bank of Italy data.

The trend highlighted by the graph in the past seven semi-annual reports can be attributed to an average decline in the denominator (supervisory capital requirements) of about 20% since June 2008. This could be explained, at least in part, by the implementation of the new regulations on supervisory requirements.

Concerning the distribution of banks in classes of RF as at June 2011, Table 8 shows how banks rated in the normal class absorb around 99% of the total RF, while those in attention have a share equal to 0.20% of the total amount. The percentage for banks rated in the violation class is 0.25%.

Compared to June 2010, RF slightly shifted from the normal (-0.27%) and attention (-0.27%) classes to the warning class (+0.56%). RF remains substantially stable for banks rated in violation.

Table 8

B1 indicator: class distribution for member banks

B1	Normal > 110%		100% < Attention ≤ 110%		90% < Warning ≤ 100%		Violation ≤ 90%	
	Banks	% RF	Banks	% RF	Banks	% RF	Banks	% RF
June-10	274	99.26	6	0.47	0	0.00	11	0.27
Dec-10	260	99.47	3	0.03	2	0.16	11	0.34
June-11	254	98.99	4	0.20	3	0.56	10	0.25

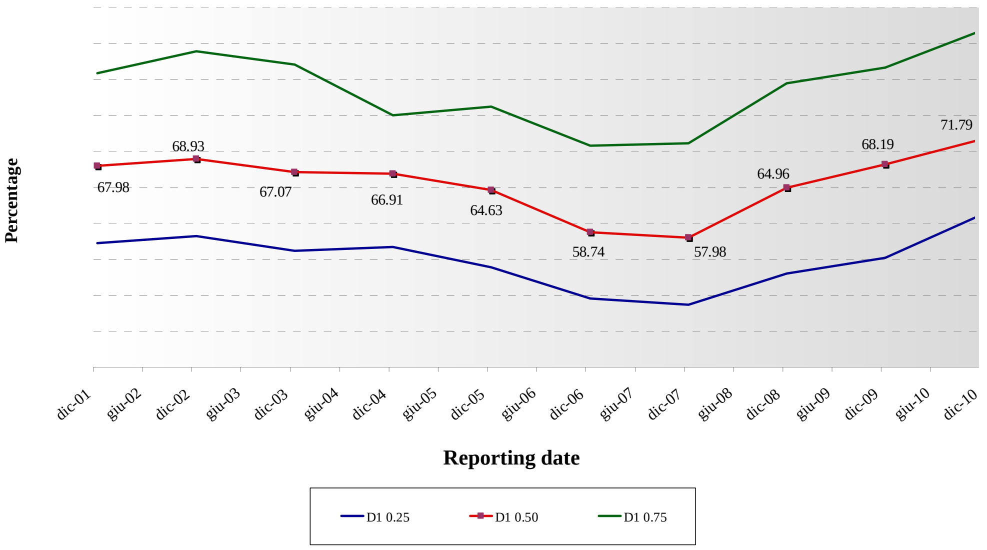
Source: elaborations on FITD - Bank of Italy data.

Profitability

Graphs 7 and 8 show the median values for the two ratios of the profitability profile D1 *(Operating expenses / Gross income)* and D2 *(Loan losses, net of recoveries / Profit before tax)* on an annual basis.

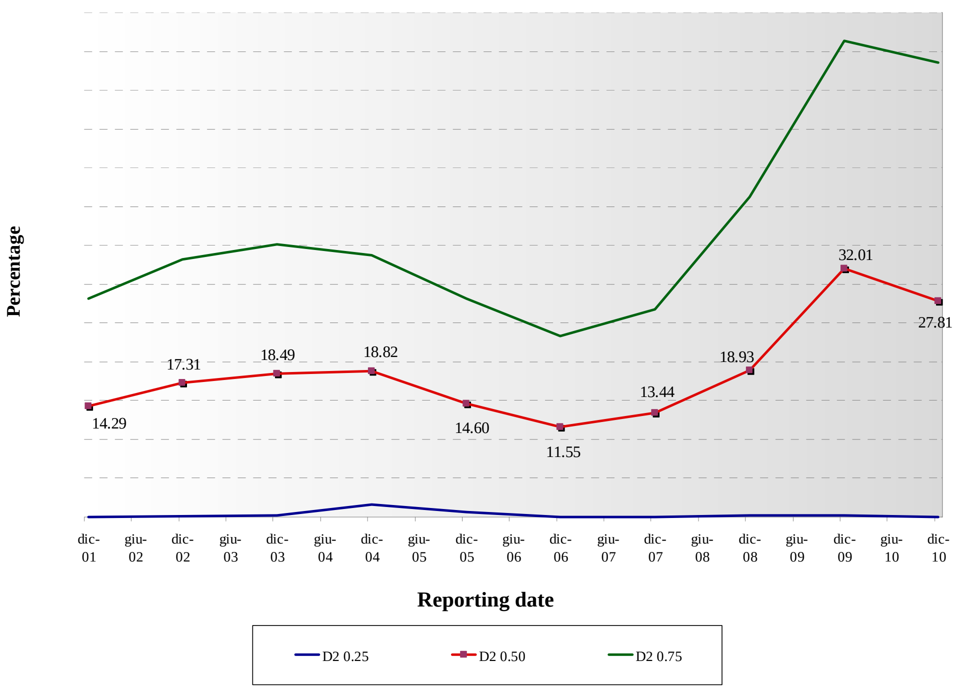
Evidence is given to annual data (from December 2001 to December 2010) instead of semi-annual data due to the greater unsteadiness of these latter.

Graph 7
D1 performance from December 2001 to December 2010



Source: elaborations on FITD - Bank of Italy data.

Graph 8
D2 performance from December 2001 to December 2010



Source: elaborations on FITD - Bank of Italy data.

Graph 7 highlights how the median value of D1 has constantly increased since June 2008, rising by around 7% compared to December 2007 because of the effect of the financial crisis.

Concerning D2, Graph 8 shows, as for D1, a significant increase between December 2007 and December 2009 (from 13.44% to 30.01%), even if a downturn is recorded over the past year (-4.2%).

The analysis of class distribution demonstrates that D1 and D2 are usually those with the greater number of banks in the violation class, given the current set of ratios applied.

Table 9 refers to D1 and shows, between June 2010 and June 2011, a slight reduction in the number of banks rated in the normal class (-3) and an increase of those classified in attention (+5). The number of banks rated in the warning class decreased (-10), as well as for members in the violation class (-12).

With regard to RF, there was a shift of funds from the banks in the attention (-17.82%), warning (-12.43%) and violation (-0.27%) classes to those rated in the normal class (+30.52%).

Table 9

D1 indicator: class distribution for member banks

D1	Normal ≤ 70%		70% < Attention ≤ 80%		80% < Warning ≤ 90%		Violation > 90%	
	Banks	% RF	Banks	% RF	Banks	% RF	Banks	% RF
June-10	139	51.15	59	31.09	36	14.78	57	2.98
Dec-10	124	65.67	65	26.76	24	4.72	63	2.86
June-11	136	81.67	64	13.27	26	2.35	45	2.71

Source: elaborations on FITD - Bank of Italy data.

In D2, the analysis of class distribution in Table 10 demonstrates a reduction in the number of banks rated in the normal (-13) and attention (-7) classes, partly offset by an increase in the number of banks in the warning class (+9). Finally, banks in the violation class decreased by 9.

Table 10

D2 indicator: class distribution for member banks

D2	Normal ≤ 40%		40% < Attention ≤ 50%		50% < Warning ≤ 60%		Violation >60%	
	Banks	% RF	Banks	% RF	Banks	% RF	Banks	% RF
June-10	175	41.94	29	19.45	21	6.56	66	32.05
Dec-10	167	41.41	24	8.04	20	12.58	65	37.97
June-11	162	48.30	22	13.49	30	29.12	57	9.08

Source: elaborations on FITD - Bank of Italy data.

Concerning RF, banks in the normal class increased their funds by 6.36%, while a decrease is recorded for banks in the attention class (-5.96%). RF of banks in the warning class increased (+22.56%), differently from banks in violation (-22.97%).

Geographical analysis

Table 11 shows data relating to the number of banks, amount of RF and median values of financial indicators by geographical area for the three statutory reports of June 2010, December 2010 and June 2011.

The analysis of the median values of the financial indicators, divided on the basis of economic area, reflects different economic conditions. With regard to the three statutory reports in question, national results are better than those of banks set in the Centre and in the South, while banks in the North show a better performance.

In June 2011, the banks in the North represented 59.78% of the Consortium, while banks in the Centre and the South were 28.78% and 11.44% respectively. Concerning the distribution of RF, these were 70.3% in the North, 20.2% in the Centre and 9.6% in the South.

The median value of the A1 indicator was 9.76%, for the banks in the North, 17.18% for the banks in the Centre and 17.85% for those in the South.

In the B1 indicator, banks in the North were more capitalised (198.08%) compared to those in the Centre (196.73%) and in the South (194.63%).

Profitability resulting from D1 was also greater in the North, with a median value equal to 69.46%, than for the banks in the Centre (69.70%) and in the South (73.52%). Similarly, D2 values were 27.26% for the banks in the North, 29.04% for the banks in the Centre and 39.58% for those in the South.

Table 11

RF and average values by geographical area

June-10

AREA	BANKS	RF	A1 - Median	B1 - Median	D1 - Median	D2 - Median
NORTH	176	292,471,067,326	7.31	198.08	69.92	22.32
CENTRE	80	124,319,591,028	15.07	189.28	70.53	37.36
SOUTH	35	53,567,858,167	12.95	198.65	76.37	34.50
total	**291**	**470,358,516,520**	**9.77**	**196.82**	**70.91**	**27.19**

Dec-10

AREA	BANKS	RF	A1 - Median	B1 - Median	D1 - Median	D2 - Median
NORD	165	328,252,896,781	8.90	198.01	71.13	27.87
CENTRO	78	95,726,805,208	15.70	197.18	71.10	31.76
SUD	33	46,005,815,098	16.86	195.11	76.33	26.16
total	**276**	**469,985,517,087**	**10.65**	**197.18**	**71.79**	**27.81**

June-11

AREA	BANKS	RF	A1 - Median	B1 - Median	D1 - Median	D2 - Median
NORD	162	323,078,943,412	9.76	198.08	69.46	27.26
CENTRO	78	92,734,996,101	17.18	196.73	69.70	29.04
SUD	31	43,964,471,419	17.85	194.63	73.52	39.58
total	**271**	**459,778,410,932**	**13.08**	**196.59**	**69.86**	**29.11**

Note: the distribution of banks in macro areas is based on the bank's legal seat.

Source: elaborations on FITD - Bank of Italy data.

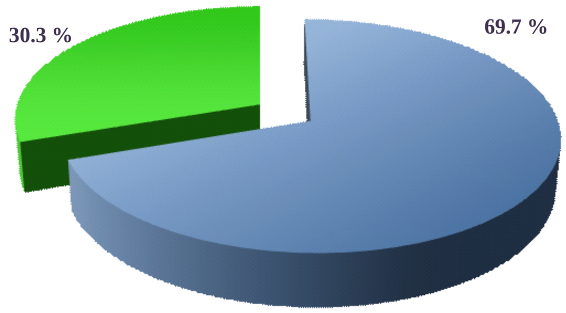
Analysis by banking groups

For the purpose of group analysis, the 276 member banks as at June 2011 are divided into two main parts, depending on whether they are part of a banking group or not. At present, 67 banking groups are listed in the official Register managed by the Bank of Italy[5]. Specifically, 189 member banks belong to a banking group; the other 82 are individual banks.

As shown in Graphs 10 and 11, banks joining a banking group represent around 70% of the total number of FITD members and they account for about 96% of the total RF. Individual banks make up around 30% of the consortium and their RF represent less than 4% of the total amount.

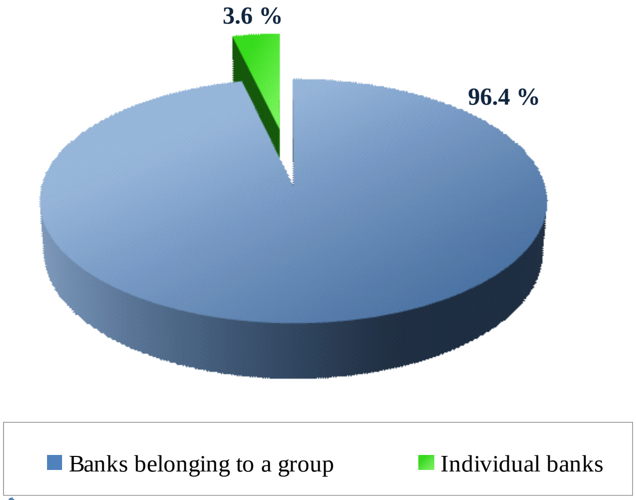
Graph 10

Composition of the Consortium



Graph 11

RF Distribution



[5] According to the last update as of 30th September 2011, banking groups recorded on the official Resister in all are 77, including 10 groups composed of credit cooperative banks which are not considered in this paragraph.

Table 12 gives a comparison among the last three six-month reports. Over the last year a decrease (-20) in the number of banks belonging to a banking group was recorded, modifying from 71.82% to 69.74% their percentage over the total. RF of these banks slightly rose by 0.2%, but a reduction of around 9 billion euro was recorded in nominal terms.

Over the same period, the percentage of individual banks shifted from 28.18% (June 2010) to 30.26% (June 2011). The number of individual banks was unchanged, while a slight decrease of 0.2% was recorded in RF, corresponding to around 3.6% of the total.

It is worth noting that the decrease in the level of coverage from 103,291.38 euro to 100,000 euro between December 2010 and June 2011 partly explains the reduction recorded in the reimbursable funds of both individual banks and banks in a group and undermines the full comparability of data.

Table 12

Composition of the Consortium

Date		Total	Banks belonging to a group		Individual banks	
			amount	%	amount	%
June-10	Banks	**291**	209	71.82	82	28.18
	RF	**470,358,516,520**	452,438,951,545	96.19	17,919,564,975	3.81
Dec-10	Banks	**276**	194	70.29	82	29.71
	RF	**469,985,517,087**	452,005,136,051	96.17	17,980,381,036	3.83
June-11	Banks	**271**	189	69.74	82	30.26
	RF	**459,778,410,932**	443,158,292,556	96.39	16,620,118,376	3.61

Source: elaborations on FITD data.

FITD activities

Documents

Throughout the year work has been ongoing in constantly updating the handbook "*The FITD's monitoring system of bank riskiness and risk-based contribution*", published both in Italian and in English on the website of the Fund to be available to all member banks.

The Offices of the Fund attach great importance to the Manual and see it essential for ensuring an effective and correct compliance with statutory obligations by member banks. It also provides information about relations with other institutions both at national and international levels.

Research projects

With reference to the ongoing research projects, over the year work has continued on the **revision** of the monitoring system based on **balance sheet indicators**. In particular, the research on the monitoring system of bank riskiness, aimed at examining both its fairness and any chance of revision, has been completed.

This research was carried out using the data of the Accounts Matrix received from the Bank of Italy during the year. A panel of representatives of some member banks technical offices actively cooperated and gave interesting remarks during the meetings organised by the Fund to discuss the findings of the analysis.

Results were presented at the meetings of both FITD Board and Executive Committee in May 2011. The offices of the Fund, taking into account some suggestions rising out of these meetings, further analysed specific issues and applied the new model of ratios on consolidated basis. Furthermore, the practical applicability of the model required a careful revision of the existing Glossaries and the creation of a new Glossary for consolidated ratios, according to the supervisory regulations of the Bank of Italy and concerning prudential returns based on the accounts matrix system.

The final proposal was presented at the meetings of both FITD Board and Executive Committee in December 2011. It consists of five balance sheet ratios referred to the following profiles: risk, solvency, liquidity and profitability. These ratios are calculated on both an individual and consolidated basis for banks belonging to a banking group. At present a consultation phase has been opened with the Bank of Italy and member banks, in order to finalise in the short term the Statutory reform needed to enforce the new model.

Other activities

Concerning statutory reports, significant innovations were made in the web utility available to member banks for communications with the Fund. The Glossaries for balance sheet ratios and contribution base were updated according to changes in the supervisory regulations of the Bank of Italy.

As to the first issue, changes made to the communication system between banks and FITD significantly innovated the determination of contribution base, the way reports on balance sheet ratios are sent to members and, in general, all basic tools for sharing documents.

This new portal for integrated management of information between the Fund and its member banks is called **WebSacc**. It was implemented by the Fund at the beginning of the year and later released to member banks as a reserved area only accessible to them. The first statutory report accomplished through the new system was the contribution base referred to December 2010.

Amendments to Directive 94/19/EC

With reference to the revision process of the European directive 94/19/EC on deposit guarantee schemes, a first result was achieved by directive 2009/14/EC as regards the coverage level and the payout delay.

During the year directive 2009/14/EC was implemented in the Italian legislation by means of the legislative decree n. 49 of 24 March 2011, modifying Article 96bis of the Banking Law (legislative decree n. 385/93). The amendments directly affected the functioning of the Fund with regards to the coverage level of 100,000 euro and the 20 working days payout time limit that starts from the day on which the compulsory administrative liquidation of the bank enters into force.

The Fund applied the new coverage level starting from 7 May 2011, when the legislative decree entered into force, updating statutory reports accordingly. Changes resulting from the decree will be formally implemented in the FITD Statutes on the occasion of the next upcoming review.

The revision process concerning Directive 94/19/EC is still ongoing. Decisions will be made by the European Parliament presumably in the short-term, when a compromise will be reached with both Council and Commission on the most crucial issues. Then the phase of national implementation will follow. The offices of the Fund will assess the impact of the changes on the Statutes and present the relevant proposals of amendments.

International Relations

During the year the offices of the Fund attentively followed the revision process of Directive 94/19/EC, in order to present the Italian model at the European debate. This model has achieved great results, while the European proposals, which are currently under discussion, could create significant burdens for banks.

To this extent, two meetings were hosted at the FITD headquarters during the year. The first one was held on 11 April 2011 and concerned “Financial crisis and European regulation: state of play and future prospect”. Representatives from the European Commission and its Joint Research Centre, the Bank of Italy, the Ministry of Treasury, the Italian Banking Association and Federcasse participated in the meeting.

The second meeting was on 30 September 2011, on the occasion of the European Forum of Deposit Insurers (EFDI) EU Committee meeting. The group gathered to discuss possible implications on EU member states resulting from the upcoming new directive. Issues debated were, in particular, the payout timeframe, the funding system for DGS and other crucial aspects included in the proposal were analysed and discussed.

Interventions

In 2010 the Fund continued to manage a number of past interventions still outstanding, in agreement with the liquidators, to reach closure on situations that still had not been finalised.

The following outlines activities carried out and the current state of definition for each of the three interventions:

<u>Banco di Tricesimo</u>: the Compulsory Administrative Liquidation of the bank has been substantially closed filing the final balance sheet without any opposition. The cancellation of the bank from the Companies Register is imminent. The maximum expected charge, which has already been deliberated, is € 450,000.00.

<u>Banca di Girgenti</u>: to help resolve the crisis of the bank, the Fund accepted to tackle the deficit resulting from the assets and liabilities transfer to a major Italian bank; the final assessment is subject to the outcome of legal cases and to the payment date of the costs of proceedings.

During the year, a comprehensive examination was made of the above unsettled legal cases and of the risks pending for the parties.

In the first stage of the legal proceedings, two legal disputes with the liquidation procedure were settled. The outcome was positive for the procedure.

Specifically, actions were taken to recover the amounts paid at the time by the procedure, being the losing party, in execution of the first sentence of the Cassation Court No. 2464/2004 to draw down the guarantees, originally given by the Banca di Girgenti for the amount of 9 billion lire.

At the present moment, given that Sentence 1915/2004 by the Court of Cassation declared the debt of the Commercial Company originating the commercial paper to be non-existent, possibilities have arisen for a negotiated solution with the said Company. The aim is to get a partial restitution of the amounts paid at the time by liquidation procedure.

The outcome of the meetings was not positive and actions were taken to recover the amounts paid at the time of the intervention.

<u>Cassa di Risparmio di Prato</u>: the legal proceeding in the ordinary courts to recover damages for some former administrators of the bank at that time, preventing the closure of the Fund’s intervention, was substantially settled during the year.

Recent verifications carried out by MPS confirmed that those in charge of indemnifying the bank for the complained damages, are not solvent. At the last hearing on 20 September 2011, the President of the Tribunal in Prato declared the interruption of the proceedings due to the death of one of the summoned parties.

In order to close the judicial controversy, the opinion expressed by the Fund was not to restart the proceeding.

Interventions decided in 2010-2011:

Banca Valle d'Itria e Magna Grecia: on 21 October 2010 the Executive Committee deliberated on the intervention of the Fund. The bank, which was in Special Administration, was put into Compulsory Administrative Liquidation. The intervention of the Fund in the transfer of assets and liabilities amounted to 5.5 million euro. The amount paid to the acquiring bank was 5 million while further documentation is needed to pay the remaining amount (€ 500,000.00). The liquidator is taking legal actions to recover the amount paid.

Banco Emiliano Romagnolo (BER Banca): on 15 December 2010 the Executive Committee deliberated an intervention of the Fund, authorised by the Bank of Italy on 21 February 2011. The amount was paid by the Fund according to Article 4, paragraphs 1, letter b), 3, and Article 29, paragraphs 1 and 2 letter a) of the Statutes and was 16 million euro.

The intervention of the Fund was part of a recovery plan promoted by a major Italian bank, aimed at definitively solving BER serious crisis.

It is worth noting that the total amount of the intervention was 16,131,760 euro, as a result of expenses amounting to 131,760 directly linked to the intervention and paid in advance by the Fund.

Banca MB: on 16 March 2011 the Executive Committee of the Fund deliberated an intervention pursuant to Article 28 of the Statutes (transfer of assets and liabilities). The intervention was decided to protect the depositors of Banca MB in compulsory administrative liquidation and the amount of 40 million euro was paid in favour of the liquidation proceedings.

On 13 May 2011 the Bank of Italy authorised the intervention, as deliberated by the Executive Committee of the Fund, according to Article 4, paragraph 3 of FITD Statutes and Article 96ter, letter d) of the Italian Banking law.

This amount was paid to support a reorganisation plan of the bank overall debt exposure and the orderly liquidation of assets, in order to fully and promptly satisfy depositors' rights.

It is worth noting that the total amount of the intervention was 40,189,852 euro, as a result of expenses amounting to 189,852 euro directly linked to the intervention and paid in advance by the Fund.

On the commitment for intervention for the 2011 financial year, according to Article 21 of the Statutes and the resolution of the General Meeting, the resources for interventions were 0.4% of reimbursable funds as of the total reimbursable funds as of 30 June 2010 and equal to 1,881,034,867.86 euro.

On the commitment for intervention for the 2012 financial year, the resources for interventions, calculated on the basis of the total reimbursable funds as of 30 June 2011 (total reimbursable funds: 459,778,426,662 euro), are 1,839,113,706.65 euro.

Supplement to the 2011 Financial Statements

This Supplement illustrates and comments on the items and amounts listed in the Balance Sheet and Income Statement, and in so doing, it illustrates 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.

In accordance with the accounting principle of continuity, the evaluation criteria have not changed with respect to previous financial years.

In compliance with transparency principles, the amounts in the financial statements of 31 December 2011 are compared with those of 31 December 2010.

In both financial statements, 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 2011 shows a balance before tax but after tax it shows a loss of €66,379.00, corresponding to the exact amount due for taxes. The results are in keeping with the Consortium and non-profit nature of the Interbank Deposit Protection Fund.

Balance Sheet

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 depreciation or amortisation effected. The total as of 31 December 2011 is €30,525.00, showing a decrease of €3,091.00 compared to the previous financial year.

Intangible fixed assets consist of the charges sustained for purchases of software licenses. The accounting value was determined by calculating the difference of the costs sustained and the amortisation amount calculated at constant periods, assuming the use of the software licenses in two financial years.

The overall net amount as of 1 January 2011 was €3,069.00. During the year an increase of €10,553.00 and ordinary amortisation quotas of €8,345.00 were recorded. The net accounting value as of 31 December 2011 is €5,276.00, with an increase of €2,207.00 compared to 2010.

Net of amortisation reserve, the tangible fixed assets is entered in the financial statements' assets in the overall amount of €25,249.00, showing an increase of €884.00 compared to the 2010 financial year.

In particular:

- Equipment and plant: the net accounting value as of 1 January 2011 was €256,635.00, unchanged from the previous year. Ordinary amortisation quota amounting to €1,481.00 was recorded during the year, to increase the relevant fund of €251,309.00 by a net value of €3,844.00 at the end of 2011, with a decrease of €1,481.00 compared to 2010;

- Furniture and furnishing (other goods): the overall net amount as of 1 January 2011 was €0.00. Goods on the assets' book (€507,653.00) are totally amortised. During the year there were no increases recorded and therefore the net accounting value as of 31 December 2011 is €0.00;

- Electronic and electro mechanic machines (other goods): the net accounting value as of 1 January 2011 was €620,748.00. Increases of €8,392.00 and ordinary amortisation quotas of €6,027.00 were recorded during the year, to increase the relevant fund of €601,708.00 by a net amount of €21,405.00 as of 31 December 2011, with an increase of €2,365.00 compared to 2010;

- Assets with a value less than 516.46 euro (other goods): it includes items purchased during the year an overall amount of €2,669.00, totally capitalised and 100% amortised through the relevant amortisation fund set up in 2010. The net amount as of 31 December 2011 is €0.00.

Investments amounts to €0.00 as in past financial years.

Advances to suppliers, recorded among **Inventories**, are €3,738.00, with a decrease compared to the amount of €9,047.00 recorded in 2010.

The **Receivables** are listed under Balance Sheet - assets at nominal value, which matches their presumed value.

Receivables from clients considered recoverable within 12 months amounts to €49,000.00 and is equal to the balance of the contributions by Members for operating expenses in 2011 which are still to be paid.

Receivables from Members, payable over 12 months, amount to €173,044.00 and are composed of: (i) €24,480.00 for legal invoices issued in the name and on behalf of the Interbank Deposit Protection Fund for the intervention regarding Banca di Girgenti; (ii) €82,564.00 paid out to Banco di Tricesimo, which is in compulsory administrative liquidation, to activate the guarantee given by the Interbank Deposit Protection Fund as a result of a legal dispute against the liquidation proceedings; (iii) €66,000.00 for professional services of KPMG Advisory S.p.A. to the Interbank Deposit protection Fund with respect to the intervention in favour of Banca Popolare Valle d'Itria e Magna Grecia.

The total amount of Receivables is €222,044.00, showing a decrease of €299,041.00 compared to the previous financial year amount.

The Receivables from the Tax Authorities considered recoverable within 12 months show an amount of €103,045.00 consisting of: (i) advances from IRAP amounting to €70,806.00 and advances from IRES in the amount of €29,337.00 paid in 2011; (ii) advances from substitute tax on TFR revaluation amounting to €65.00, and (iii) advance withholdings on bank interest income in the amount of €2,837.00.

Total receivables for advance taxes is €1,281.00, composed of IRES (€1,268.00) and IRAP (€13.00).

Receivables from other parties, considered recoverable within 12 months, amounts to €15,044.00 and consists of a claim of condominium costs paid in advance on behalf of Art'è SpA during the year 2011.

Total receivables is €341,414.00, with a decrease of €258,456.00 compared to the total amount recorded in 2010.

Cash and equivalent, listed at nominal value, is equal to €799,344.00, with an increase of €344,134.00 compared to the previous financial year.

The total amount consists of (i) bank deposits having a credit balance of €793,126.00 and cash in the amount of €6,218.00.

Current assets presents a total of €1,144,496.00, with an increase of €76,631.00 compared to the amount recorded in 2010 which was €1,067,865.00).

In compliance with the principle of accrual basis accounting, **Prepaid expenses** is recorded in the amount of €19,851.00, showing a decrease of €10,249.00 compared to the 2010 financial statements.

Total Assets is equal to €1,194,872.00, recording an increase of €69,473.00 with respect to the previous year.

Under the **Net asset value**, the Consortium fund amounts to €439,917.00 and the loss for the 2011 financial year is €66,374.00. The overall amount is therefore €373,536.00, showing an increase of €21,083.00 compared to the previous financial statements, as a result of a decrease in the loss for the 2011 financial year.

As provided for by the last General Assembly, held on 30 March 2011, the loss for the 2010 financial year in the amount of €87,465.00 has been settled writing off both a surplus of contributions for operating expenses recorded in the previous financial year (€9,519.00) and a part of the contributions for operating expenses for 2011 (€77,946.00).

Provisions for Risk and Charges amounts to €120,858.00 and consists of: (i) reserves for taxes, including deferred, for €858.00 and (ii) other for €120,000.00. Under the item Other we include a precautionary depreciation made for a labour case brought by a former employee. Compared to the amount recorded in the previous financial year, the item shows a decrease of €435.00.

The **Staff Severance Fund** is listed under the Balance Sheet - Liabilities in the amount of €1,559.00, showing a decrease of €24,936.00 compared to the 2010 financial statements. Amounts for social contributions matured for employees have been paid yearly into an Open Pension Fund since 2000; annual increases are made according to the sum of the single ISTAT appreciations since 31 December 1999 for FITD employees.

Payables are recorded in the balance sheet liabilities at their nominal value, which corresponds to their assumed financial display.

Payables to banks within 12 months amounts to €59.00 and consists of bank charges relating to the last quarter of 2011 on the account n. 59990 (account for interventions) held at Banca Nazionale del Lavoro.

Payables to suppliers within 12 months are €108,304.00, with a decrease of €122,072.00 compared to the previous year.

Tax Payables within 12 months amounts to €148,794.00 and consists of: (i) €61,205.00 for advance withholdings approved for third parties; (ii) €39.00 for substitute tax in revaluation of the staff severance fund; (iii) €20,328.00 refer to fiscal withholdings on employees' salaries and wages; (iv) €9,152.00 for tax payables referred to IRES; (v) €57,649.00 for tax payables referred to IRAP; and (vi) €421.00 for IRPEF Regional Additional tax. Compared to the 2010 financial statements, the item shows a decrease of €20,333.00 in tax payables.

Payables to social security institutions within 12 months demonstrates a total of €73,528.00, with a decrease of €19,979.00 compared to 2010. The item is composed as follows: (i) €28,368.00 is for INPS contributions to be paid for salaries and wages paid in December 2011; (ii) €6,057.00 is for INPS contributions pursuant to legislation n. 335/95 for payment to third parties in December 2011; (iii) €91.00 is for INAIL contributions to be paid for payments to third parties during the year; (iv) €39,012.00 concerns the voluntary and corporate reserves for the Open Pension Fund calculated on salaries and wages paid in December 2011.

Other Payables considered recoverable within 12 months, amounts to €313,177.00 and shows an increase of €236,158.00 compared to the previous year.

This item is composed as follows: (i) €238,444.00 is the balance of contributions for 2011 operating expenses, withheld by the Fund to partially settle the loss for the financial year; (ii) €21,998.00 is for bonuses and December extraordinary wages to be paid to employees; (iii) €31,780.00 is for wages paid in December 2011 to employees of Unicredit S.p.A., who have been working at the Fund; (iv) €732.00 refers to a refund for travelling expenses of a Board of Auditors member in the last quarter of 2011; (v) €5,518.00 is for credit cards statement of account in December; (vi) €14,384.00 includes insurance premium for employees and FITD seat; and, (vii) €321.00 is a refund for travelling expenses in December of an EFDI member.

Other Payables considered recoverable over 12 months amounts to €55,057.00 and relates to bills to cover legal expenses of cases that are still under way and regard the intervention carried out for Cassa di Risparmio di Prato. No differences are recorded compared to the previous financial year.

Total payables is €698,919.00, with an increase of €73,761.00 compared to the 2010 financial year.

There are no **accrued expenses and deferred income**.

Total liabilities is equal to €1,194,872.00, with an increase of €69,473.00 compared with the 2010 financial year.

Interim Accounts

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

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

For further information on 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:

A) Production value	€	3,047,953.00
B) Production costs	€	3,047,707.00
A-B) Difference between production value and costs	€	246.00
C) Financial management	€	10,338.00
D) Value adjustments to financial assets	€	0.00
E) Extraordinary management	€	-10,584.00
Net profit before taxes	€	0.00
22) Taxes for the period	€	66,379.00
23) Profit (loss) for the period	€	(66,379.00)

Production value, equal to €3,047,953.00, consists of members' contributions that cover the operating expenses of €3,031,556.00 and other revenue and income in the amount of €16,397.00. An increase of €97,814.00 is recorded, compared to the production value in 2010.

Production costs amounts to €3,047,707.00, with an increase of €69,312.00 compared to the previous financial year. The item consists of: costs for primary, subsidiary and convenience products; costs for services; leases and rentals; costs for personnel; amortisation; reserve for risks and charges; and various management charges.

Costs for primary, subsidiary and convenience products (item 6) amounts to €14,718.00, showing an increase compared to the amount of €11,064.00 recorded in 2010. The item is composed of: (i) cleaning products (€1,502.00); stationery articles (€6,986.00); fuel and oil expenses (€6,230.00).

Costs for services (item 7) demonstrates a balance of €1,324,571.00, with an increase of €267,561.00 compared to amount recorded in 2010. The item includes the following charges:

Maintenance of furniture, machines and equipment	€	11,975.00
Maintenance and updating of the computer system	€	3,049.00
Electrical energy expenses	€	39,726.00
Telephone expenses	€	24,770.00
Mobile phones expenses	€	21,335.00
Postal expenses	€	4,504.00
Meal vouchers for employees	€	10,878.00
Compensation for consultants	€	313,256.00

Professional loans (technical advice)	€	20,825.00
Contributions to INPS L. 335/95	€	29,012.00
Business Travel	€	3,102.00
Business overnight stays	€	3,075.00
Training expenses for employees	€	29,478.00
Refunds to employees	€	2,680.00
Foreign and institutional relations	€	29,861.00
Expenses for/on behalf of OO.CC.	€	42,261.00
Insurance expenses	€	3,563.00
National and international associative fees	€	23,959.00
Entertainment expenses	€	20,617.00
Refunds to consultants	€	32,290.00
Expenses for bank charges	€	5,648.00
Compensation to managers	€	568,188.00
Compensation to Auditors	€	66,851.00
INAIL contributions (contract work)	€	61.00
Management of motor vehicles	€	1,987.00
Expenses for extra-condominal cleaning services	€	1,388.00
Transport and taxies	€	10,232.00

The item Compensation to managers shows a total amount of €568,188.00 and is composed as follows: (i) €401,675.00 relates to compensation to the Committee members; and, (ii) €166,513.00 is for compensation to the Board members.

Item (8), costs for goods referred to third parties demonstrates an overall amount of €658,265.00, with an increase of €2,349.00 compared to the 2010 financial statement amount.

Rent of premises	€	475,836.00
Leasing for tangible assets and plants	€	9,524.00
Car leasing	€	16,278.00
Leasing for the computer system	€	94,028.00
Expenses for managing seat	€	62,599.00

Costs for personnel (item 9) amounts to charges of €975,653.00, with a decrease of €97,805.00 compared to 2010. The item includes the following charges:

Wages and salaries	€	612,553.00
Social security contributions (INPS)	€	143,981.00
Insurance policies for personnel	€	29,049.00
INAIL contributions	€	2,813.00
Staff severance fund	€	39,234.00
Contributions to the Open Pension Fund	€	25,892.00
Additional staff costs	€	122,131.00

As of 31 December 2011 there were 10 employees at FITD: five were office and clerical workers and five were managers.

Amortisations are listed in item 10 in the amount of €18,522.00. A decrease of €1,667.00 is recorded, compared to the 2010 financial year. The item is composed as follows:

- letter a) Amortisation of intangible assets consists of the ordinary amortisation quota for software license rights in the amount of €8,345.00, showing a decrease compared to the amount of €9,103.00 recorded in 2010.
- letter b) Amortisation of tangible assets in the overall amount of €10,177.00, with a decrease of €909.00 compared to 2010. The item consists of the amortisation quotas for: (i) equipment and various plants (€1,481.00), office electric and electromechanical machines (€6,027.00), assets with a value less than 516.46 euro (€2,669.00).

Various Management charges in item 14 shows a total amount of €55,978.00 as of 31 December 2011, with an increase of €15,220.00 compared to the amount recorded in 2010.

The item includes the following charges

Books, magazine and newspapers	€	9,307.00
Stamp duties	€	1,312.00
Register tax	€	1,876.00
Garbage collection tax	€	12,662.00
City council licenses	€	1,525.00
Other taxes	€	2,563.00
Fine and pecuniary sanctions	€	13,114.00
General expenses	€	6,602.00
Publications and press	€	7,005.00

Rounding up	€	12.00

The **difference between production value and costs** is a positive sum of €246.00, with an increase of €28,502.00 compared to the 2010 financial statement.

Financial income and charges consists of: (i) other financial income is recorded in item 16 letter d) as €10,507.00, consisting of interest accrued on bank accounts; (ii) item 17 letter d) lists Interest and other financial charges in the total amount of €37.00 for interest allowed to suppliers (€ 1.00), on bank accounts (€8.00) and on taxes (€28.00); and, (iii) item 17-bis) relating to Income and charges on exchange rates, shows a negative sum of €132.00 for purchases and sales of currencies for cash in hand for employees on missions abroad. The overall amount of Financial income and charges is €10,338.00 and shows an increase of € 3,662.00 compared to the overall amount recorded in 2010.

Extraordinary Income and charges consists of Contingent assets for €2,680.00 recorded in item 20, Contingent liabilities in the amount of €105.00 listed in item 21 and Taxes of previous financial years amounting to €13,158.00. The overall amount of Extraordinary Income and charges shows a negative figure of €10,584.00, while in 2010 a positive figure of €21,580.00 was recorded.

In accordance with the nature and the non profit aims of the Interbank Deposit Protection Fund, **Net profit before taxes** demonstrates that the positive and negative elements are equal.

The income taxes for the period, recorded in item 22 of the Income Statement, were calculated according to the fiscal laws in force for IRES (tax on company's income) and IRAP (regional tax on productive activities).

By applying these regulations, total charges for taxes is registered in the amount of €66,379.00:

a) Current taxes (IRES)	€	***9,152.00***
a) Current taxes (IRAP)	€	***57,649.00***
Total current taxes	€	***66,802.00***
b) Deferred taxes (IRES)	€	***751.00***
b) Deferred taxes (IRAP)	€	***107.00***
Total deferred taxes	€	***858.00***

c) Advance taxes (IRES)	€	- 1,268.00
c) Advance taxes (IRAP)	€	- 13.00
Total advanced taxes	€	***- 1,281.00***

Item (23), **Income (loss) for the period**, shows a loss for the period amounting to €66,379.00, which corresponds to the tax charge. The loss for the 2011 financial year shall be covered, after writing off the amount of deferred and advanced tax for the period, with the surplus balance of contributions paid by the Members for operating expenses in 2011 (€238,444.00).

Board of Auditors' Report

With this report, the Board of Auditors informs the General Meeting of the Interbank Deposit Protection Fund, pursuant to Article 2429 - paragraph 2 of the Italian Civil Code, about the activities carried out during the 2011 financial year to comply with its own duties of audit, according to both Article 2403 - first paragraph of the Civil Code and the provisions regulating board of auditors' activities.

At least one member of the Board of Auditors attended all the meetings of the Board of Directors and Executive Committee. This attendance, along with the periodic accounting verifications and information sharing with the administrators of the Fund, allows to point out:

- all activities and deliberations of the governing bodies have complied with laws and the Statutes;
- principles of fair administration have been applied and the administrators have carried out their tasks observing the due diligence;
- adequacy and functioning of the organisation, finding division of tasks and responsibilities, as well as a clear definition of proxies and powers;
- adequacy and functioning of the administrative-accounting system, which allows: (i) full, prompt and reliable accounting data and description of the management activities, and (ii) production of good and useful information to address management choices, to safeguard capital and to prepare the balance sheet for the financial year.

The 2011 financial statement was examined, verifying that:

- the financial statements formats have been drafted in accordance with the extended form provided for by Article 2424 and the following ones of the Italian Civil Code;
- the comparison to the past financial year has been confirmed by the presentation of data contained in the financial statements for the financial year ending on 31 December 2010;
- the positive and negative income components have been determined by applying transparency principles for financing statements;
- the Supplement has been made according to completeness and clarity principles. In the Report on the management of the Fund the Board informs the General Meeting of its own observations on the operation

trends, giving special attention to institutional activities carried out by the offices of the Fund.

The financial statements as of 31st December 2010 is as follows:

BALANCE SHEET

Total Assets			€	1,194,872
Consortium Fund	€	439,917		
Loss for the period	€	-66,379		
Total Net Asset Value			€	373,536
Total Liabilities			€	821,336
Total liabilities and Total Net Asset Value			€	1,194,872

INTERIM ACCOUNTS

I - Management of interventions		
A) Commitments for interventions in 2011	€	1,881,034,868
B.1) *Commitments for deliberated interventions not paid out*	*€*	*-950,000*
B.2) *Commitments for deliberated interventions paid out*	*€*	*-56,321,612*
C) Commitments for interventions to be deliberated	€	1,823,763,256
II - Leasing instalments to be paid	€	0

FINANCIAL STATEMENT

Value of production	€	3,047,953
Total costs of production	€	-3,047,707
Difference between production value and costs	€	246
Total financial income and charges	€	10,338
Total extraordinary items	€	-10,584
Net profit before taxes	€	0
Income taxes for the period	€	-66,379
Profit (loss) for the period	€	(66,379)

With regards to the activities of the Board of Auditors, a careful verification of both the assets and liabilities and the economic components contained in the financial statements have been carried out and we certify the following:

- in preparing the Balance Sheet and the Income Statement, the principles and provisions pursuant to Articles from 2423 to 2425-bis of the Italian Civil Code were respected;

- the items of the financial statements have been 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 recorded;
- the evaluation criteria adopted have not changed with respect to the previous financial year and the amortisation 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 assets pursuant to Article 2426, paragraph 5 of the Italian Civil Code;
- the annual quotas of amortisation applied to both tangible and intangible assets, whose potential use is limited in time, have been calculated according to the regularity principle, with reference to the residual possibility of using such properties;
- with the exception of amounts intended for complementary pension, the staff severance fund, which is recorded in the financial statements, includes matured amounts for personnel that have been given raises in accordance with the applicable laws;
- the fiscal charge of the Income statement was calculated observing of the fiscal provisions in force. Furthermore, calculation and separate highlighting of advance and deferred taxes were carried out;
- there was no appeal made to derogations provided for by Article 2423, paragraph 4 of the Italian Civil Code, and no monetary revaluation 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.

The analysis of the Income Statement presents a result before tax, which after the tax obligation, amounts to a loss of €66,379.00 that is equal to said taxes (IRAP, IRES, advance taxes and deferred taxes). Such result is consistent with the consortium nature and non profit aims of the Interbank Deposit Protection Fund.

The loss pursuant to the Italian Civil Code (€66,379.00) coincides with the taxes on the income for the 2011 financial year.

Payables to the Tax Authorities amounts to €148,794.00, as duly shown in the Liabilities of the Balance Sheet as item D) 12.

With full respect for the decision taken at the General Meeting on 31 March 2011, the loss shown in the 2010 financial statements, equal to €87,465.00, was settled with the surplus balance of members' contributions for operative expenses as of the end of the previous year (€9,519.00) and with the members' contributions for operative expenses paid in 2011.

Contributions for operative expenses, still to be collected from members, amounted to €49,000.00.

The calculation of interventions resources for 2011 was attained according to the provision of Article 21 of FITD Statutes and the Board's decisions regarding the matter at hand. The overall resources for interventions totalled €1,881,034,868.00, corresponding to 0.4% of total reimbursable funds as of 30th June 2011, which amounted to €470,258,716,966.00. Given the amount of the current commitments, which amount is equal to €57,271,612.00, the remaining amount of commitments for interventions to be deliberated is €1,823,763,256.00.

As a result of what is stated above, the Board of Auditors expresses its favourable opinion on the approval of the 2011 financial statements and the deferment of the loss for the financial year.

In concluding 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.

The Board sincerely thanks Prof. Piero Dino Giarda for his highly valued contribution to the activities of the committee. He left the Board on 16 November 2011 to take up a governmental office.

A special thanks, finally, to the Secretary General and all the employees of the Fund, for the diligence and collaboration given in their respective roles during the financial year.

The Chairman	The Auditors	
Rag. Giovanni Salsi	Dr. F. Passadore	Dr. N. Plattner

Balance sheet

Balance sheet as at 31/12/2011

Balance Sheet - Assets	31/12/2011	31/12/2010
A) Receivables due from shareholders for unpaid capital		
(of which already received)		
B) Fixed Assets		
I. Intangible assets		
1) Start-up and expansion costs		
2) Research, development and advertising costs		
3) Industrial patent and intellectual property rights		
4) Concessions, licenses, trademarks and similar rights	5,276	3,069
5) Goodwill		
6) Fixed assets under development and advances		
7) Others		
	5,276	3,069
II. Tangible Assets		
1) Land and buildings		
2) Plant and equipment	3,844	5,325
3) Industrial and commercial equipment		
4) Others	21,405	19,040
5) Fixed assets under construction and advances		
	25,249	24,365
III. Investments		
1) Equity investments in:		
a) Subsidiary companies		
b) Affiliated companies		
c) Parent companies		
d) Other companies		
2) Receivables from:		
a) Subsidiary companies		
- within 12 months		
- over 12 months		
b) Affiliated companies		
- within 12 months		
- over 12 months		
c) Parent companies		
- within 12 months		
- over 12 months		

d) Other companies			
- within 12 months			
- over 12 months			
3) Other securities			
4) Own shares			
Total fixed assets		**30,525**	**27,434**

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		3,738	12,785
		3,738	12,785
II. Receivables			
1) From clients			
- within 12 months	49,000		103,721
- over 12 months	173,044		417,364
		222,044	521,085
2) From subsidiary companies			
- within 12 months			
- over 12 months			
3) From affiliated companies			
- within 12 months			
- over 12 months			
4) From parent companies			
- within 12 months			
- over 12 months			
4-bis) Tax assets			
- within 12 months	103,045		64,267
- over 12 months			
		103,045	64,267
4-ter) Advance taxes			
- within 12 months	1,281		2,679
- over 12 months			
		1,281	2,679
5) Due from others			
- within 12 months	15,044		11,839
- over 12 months			
		15,044	11,839
		341,414	599,870

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 (total nominal value)			
	6) Other securities			
IV.	*Cash and Equivalent*			
	1) Banking and postal deposits		793,126	449,571
	2) Checks			
	3) Cash on-hand and valuables		6,218	5,639
			799,344	455,210
Total Current Assets			**1,144,496**	**1,067,865**
D) Accrued income and prepaid expenses				
	- Discount on loans			
	- others	19,851		30,100
			19,851	30,100
Total assets			**1,194,872**	**1,125,399**

Balance Sheet - liabilities				31/12/2011	31/12/2010
A)	**Shareholders' Equity**				
	I.	*Capital*		439,917	439,917
	II.	*Share capital*			
	III.	*Revaluation reserve*			
	IV.	*Legal reserve*			
	V.	*Statutory reserve*			
	VI.	*Reserve for own shares*			
	VII.	*Other reserves*			
		Difference in rounding up to euro unit	(2)		1
				(2)	1
	VIII.	*Profit (loss) carried over*			
	IX.	*Profit for the period*			
	IX.	*Loss for the period*		(66,379)	(87,465)
		Interim dividends		()	()
		Partial cover of losses for the financial year			
Total Equity				**373,536**	**352,453**
B)	**Provisions for risks and charges**				
	1)	Pension and similar costs			
	2)	Provision for taxes and for deferred taxes		858	1,293
	3)	Other provisions		120,000	120,000
Total provisions for risks and charges				**120,858**	**121,293**
C)	**Staff Severance Fund**			**1,559**	**26,495**
D)	**Payables**				
	1)	Bonds			
		- within 12 months			
		- over 12 months			
	2)	Convertible bonds			
		- within 12 months			
		- over 12 months			
	3)	Payables to members for financing			
		- within 12 months			
		- over 12 months			
	4)	Payables to banks			
		- within 12 months	59		72
		- over 12 months			
				59	72
	5)	Payables to other lenders			

	- within 12 months			
	- over 12 months			
6)	Advances			
	- within 12 months			
	- over 12 months			
7)	Payables to suppliers			
	- within 12 months	108,304		230,376
	- over 12 months			
			108,304	230,376
8)	Debt instruments			
	- within 12 months			
	- over 12 months			
9)	Payables to subsidiaries			
	- within 12 months			
	- over 12 months			
10)	Payables to affiliated companies			
	- within 12 months			
	- over 12 months			
11) Payables to parent companies				
	- within 12 months			
	- over 12 months			
12) Taxes payable				
	- within 12 months	148,794		169,127
	- over 12 months			
			148,794	169,127
13) Payables to social security institutions				
	- within 12 months	73,528		93,507
	- over 12 months			
			73,528	93,507
14) Other payables				
	- within 12 months	313,177		77,019
	- over 12 months	55,057		55,057
			368,234	132,076
Total payables			**698,919**	**625,158**
E)	**Accrued expenses and deferred income**			
	- Premium on loans			
	- Others			
Total liabilities			**1,194,872**	**1,125,399**

Interim accounts	31/12/2011	31/12/2010
1) Risks taken by the firm		
Guarantees		
to subsidiary companies		
to affiliated companies		
to parent companies		
to subsidiary companies of parent companies		
Endorsements		
to subsidiary companies		
to affiliated companies		
to parent companies		
to subsidiary companies of parent companies		
Other personal guarantees		
to subsidiary companies		
to affiliated companies		
to parent companies		
to subsidiary companies of parent companies		
Real guarantees		
to subsidiary companies		
to affiliated companies		
to parent companies		
to subsidiary companies of parent companies		
Other risks		
Credits made *pro solvendo*		
other		
2) Commitments of the members as per Art. 21 of the Statutes		
Commitments for interventions (0.4% Reimbursable Funds)	1,881,034,868	1,790,586,278
- Commitment for interventions already deliberated	- 950,000	- 16,950,000
- Commitment for interventions already paid	- 56,321,612	- 5,000,000
Commitment for interventions to be deliberated	1,823,763,256	1,768,636,278
3) Firm's holdings of third party goods		
4) Other interim accounts		
Total interim accounts	**1,881,034,868**	**1,790,586,278**

Income Statement				**31/12/2011**	**31/12/2010**
A)	**Value of production**				
	1)	*Member quotas*		3,031,556	2,938,481
	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*			
		- Other	16,397		11,658
		- contributions to the operating account			
		- contributions to the capital account			
				16,397	11,658
Total value of production				**3,047,953**	**2,950,139**
B)	**Costs of production**				
	6)	*Raw materials, secondary materials and consumables*		14,718	11,064
	7)	*Services*		1,324,571	1,057,010
	8)	*Use of un-owned property*		658,265	655,916
	9)	*Personnel*			
		a) Wages	612,553		739,758
		b) Social security contributions	175,843		217,168
		c) Staff Severance Fund	39,234		52,206
		d) Pension and Similar costs	25,892		33,528
		e) Other personnel charges	122,131		30,798
				975,653	1,073,458
	10) Amortisations and devaluations				
		a) Amortisation of intangible assets	8,345		9,103
		b) Amortisation of tangible assets	10,177		11,086
		c) Other Amortisations and devaluations			
		d) Write-downs of assets in the current assets and cash equivalent			
				18,522	20,189
	11) Changes in inventory of raw materials, secondary materials and consumables				
	12) Reserve for risks				120,000
	13) Other reserves				
	14) Management charges			55,978	40,758
Total costs of production				**3,047,707**	**2,978,395**
Difference among costs and value of production (A-B)				**246**	**(28,256)**
C)	**Financial Income and charges**				
	15) Financial income from:				
		- Subsidiary companies			
		- Affiliated companies			
	16) Other financial income:				
		a) from receivables listed in fixed assets			
		- from subsidiary companies			

	- from affiliated companies			
	- from parent companies			
b)	from securities listed as tied up			
c)	from securities listed in the current assets			
d)	income differing from preceding items			
	- from subsidiary companies			
	- from affiliated companies			
	- from parent companies			
	- from other companies	10,507		6,911
			10,507	6,911
			10,507	6,911
17) Interest and other financial charges				
	- from subsidiary companies			
	- from affiliated companies			
	- from parent companies			
	- from other companies	37		192
			37	192
17-bis) Foreign exchange gains and losses			(132)	(43)
Total financial income and charges			**10,338**	**6,676**

D) Value adjustments to financial assets

18) Revaluations:				
a)	of equity investments			
b)	of financial fixed assets			
c)	of securities listed in the current assets			
19) Write-downs:				
a)	of equity investments			
b)	of financial fixed assets			
c)	of securities listed in the current assets			
Total adjustments to financial assets				

E) Extraordinary income and charges

20) Income:				
	- Capital gains from asset disposals			
	- Other income	2,680		22,833
	- Differences due to rounding up to euro unit			
			2,680	22,833
21) Charges:				
	- Capital losses from asset disposals			
	- Taxes relating to previous financial years	13,158		
	- Other charges	105		1,252
	- Differences due to rounding up to euro unit	1		1
			13,264	1,253
Total extraordinary income and charges			**(10,584)**	**21,580**

Result before taxes (A-B±C±D±E)		**0**	**0**
22) Income taxes for the financial year			
a) Current taxes	66,802		88,851
b) Deferred taxes (advanced)	858		1,293
c) Advance Taxes	(1,281)		(2,679)
d) income (charges) from compliance with consolidated tax regime/tax transparency			
		66,379	87,465
23) Profit (loss) for the financial year		**(66,379)**	**(87,465)**

Appendix

Tables

This Appendix contains Tables to support the content of the Annual Report.

It is composed of:

- time series of median values of financial indicators from June 2001 to June 2011;
- thresholds for the various classes of financial ratios’ profiles;
- determination of the Statutory Position.

Time series

DATE	INDICATORS (Median values)				Aggregate Indicator (Average value)
	A1	B1	D1	D2	
30/06/2001	7.58	187.17	67.17	12.73	1.85
31/12/2001	6.86	188.31	67.98	14.29	2.01
30/06/2002	5.48	199.15	68.20	8.74	2.08
31/12/2002	5.67	181.98	68.93	17.31	2.19
30/06/2003	5.77	179.26	64.98	10.90	1.82
31/12/2003	6.35	172.41	67.07	18.49	2.27
30/06/2004	6.39	173.53	65.34	14.05	1.76
31/12/2004	6.60	172.71	66.91	18.82	1.66
30/06/2005	6.05	173.60	63.43	10.78	1.60
31/12/2005	5.81	173.04	64.63	14.60	1.62
30/06/2006	4.60	168.77	60.31	7.70	1.17
31/12/2006	4.64	164.84	58.74	11.55	1.18
30/06/2007	5.10	163.60	54.60	8.48	1.15
31/12/2007	4.83	158.86	57.98	13.44	1.37
30/06/2008	5.22	182.55	59.50	14.49	1.67
31/12/2008	5.86	192.03	64.96	18.93	2.23
30/06/2009	7.31	200.52	65.03	23.91	2.51
31/12/2009	8.36	195.38	68.19	32.01	3.61
30/06/2010	9.77	196.82	70.91	27.19	3.71
31/12/2010	10.65	197.18	71.79	27.81	4.39
30/06/2011	13.08	196.59	69.86	29.11	4.00

Thresholds of financial ratios

Indicators & coefficients	Normal	Attention	Warning	Violation
Indicator A1: Bad debts / supervisory capital	up to 20%	20 - 30	30 - 50	over 50%
Coeff_A1	**0**	**2**	**4**	**8**
Indicator B1: Supervisory capital + tier 3 / Total capital requirements	over 110%	100 - 110	90 - 100	less than 90
Coeff_B1	**0**	**1**	**2**	**4**
Indicator D1: Operating expenses / Gross income	up to 70% *(or operating expenses = 0)*	70 - 80	80 - 90	over 90% *(or Gross income < 0)*
Coeff_D1	**0**	**1**	**2**	**4**
Indicator D2: Loan losses, net of recoveries / Profit before tax	up to 40% *(or loan losses ≤ 0)*	40 - 50	50 - 60	over 60% *(or profit before tax < 0)*
Coeff_D2	**0**	**1**	**2**	**4**

Statutory Positions

Determination of the Statutory Position	
Normal	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 over 12