Fondo Interbancario di Tutela dei Depositi

Interbank Deposit Protection Fund

Annual Report 2012

Interbank Deposit Protection Fund

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* Appointed as from 4 April 2013.

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Abstract

Abstract

In 2012 the activity of the Interbank Deposit Protection Fund was composed of three principal areas: monitoring the risk of Member Banks, activities centred around research and dealing with interventions.

The monitoring of risk, based on the statutory reports system, was subjected to a review. As a result, a new model structured on five balance sheet indicators was adopted, where the individual risk is combined with that of the consolidated group. The changes were introduced following the Statutes reforms of June 2012 and the new system became effective from the 30 June. The second half of the year was spent on the implementation of the new system. Following on from this, the Fund's offices proceeded to update the handbook published both in Italian and English "*The monitoring system for bank riskiness and risk-based contribution.*

In the scope of revising the risk monitoring system, furthermore, in October 2012, an in depth analysis began for the definition and valuation of a comprehensive indicator of banks derivatives risk, to be added to the current indictors of the Fund. The project is supervised by the FITD Board and is coordinated by a scientific committee, headed by the Chairman of the Fund and in collaboration with distinguished professionals and experts in this field. The work will be completed in 2 years.

The Statuary reforms approved on 20th June 2012, also included the amendments as per the legislative decree number 49/2011, which implemented directive 2009/14/EC amending Article 96 of the Italian Banking Law (legislative decree 385/93). From the amendments, having direct impact on the workings of the Fund, it derived the level of coverage to 100,000 Euros and the pay-out limit of 20 working days from the start date of the compulsory administrative liquidation of the failed bank.

With reference to the research activity, a working paper entitled: "*The treatment of weak banks, prevention and management of the crisis at an EU level*" was brought to fruition following continuous development of the regulatory framework. On the same topic, moreover, an article was written on '*What action should we take on banks in crisis? The legislative proposal from the European Commission*" published in edition number 2/2013 of the publication "Bancaria". Additionally, during the year, the issue relating to the discipline of payment institutes, was analysed for the purposes of writing an article on "*Problems relating to the new financial tools of Payment Institutes*" published in edition number 3/2012 of the publication "Il Diritto dell'Economia". Another strand of research looked at the assessment of a model for forecasting a rescue plan for European banks. Finally, at the end of the year, a new research project was established centred around the analysis of the various criteria to rank depositors in the creditor hierarchy where insolvency proceedings involve a bank licenced in a European member State.

During 2012 the Fund also followed activities internationally, by participating in the European Forum of Deposit Insurers (EFDI) and the International Association of Deposit Insurers (IADI), the first with reference to specific amendments to the European directives and the second in relation to the rapport with the rest of the world.

As far as interventions are concerned, in July 2012 depositors of a bank were paid out to the total sum of approximately 74 million Euros. The payout procedure was the second in the history of the Fund following that of the Bank of Tricesimo in 1990. The management of the intervention amply respected the new European legislation on payout limit, that stipulates a 20 day period to conclude the payout.

Finally, the principal statistics of FITD member banks as of 31 December 2012 are as follows: a total number of 241 member banks, reduced in comparison to December 2011 (259) due to mergers; 3 banks in Special Administration; total reimbursable funds in the amount of 476.1 billion Euros (June 2012); the commitment for intervention for the 2013 financial year, equal to 0.4% of total reimbursable funds, in the amount of 1.9 billion Euros.

Statistical analysis

As at 31 December 2012 there were 241 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[1].

In 2012, 19 mergers, 2 new adhesions and one compulsory administrative liquidation were recorded (Table 1).

As at the end of 2012, of the 241 member banks 3 are in Special Administration.

Table 1

Variation in the composition of the consortium

(December 2011 - December 2012)

Evento	Banche
Member banks as of 31 December 2011	259
Mergers (-)	19
Administrative compulsory liquidation (-)	1
Withdrawal of membership (-)	0
New member banks (+)	2
Member banks as of 31 December 2012	241
of which in Special Administration	3

Source: Elaborations on FITD data.

[1] It is worth noting that a maximum harmonised level of coverage equal to 100.000 Eurosis 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 on-going revision process of Directive 94/19/EC.

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*[2] (see Table 2 and Graph 1).

Table 2

Evolution of eligible deposits and reimbursable funds

Data	Eligible deposits	FR up to 100,000 Euros	Deposits up to 100,000 Euros
	data in billion Euros		
Dec/02	436.00	332.93	288.54
June/03	444.13	336.92	290.22
Dec/03	465.32	353.21	303.48
June/04	470.12	353.54	280.48
Dec/04	496.49	371.62	302.42
June/05	513.59	377.57	319.15
Dec/05	525.67	390.25	315.20
June/06	541.99	394.52	331.40
Dec/06	566.25	401.49	341.01
June/07	560.48	401.54	335.36
Dec/07	574.33	402.32	334.05
June/08	581.05	400.55	330.60
Dec/08	615.51	422.90	348.34
June/09	652.00	447.65	363.65
Dec/09	694.64	468.03	376.93
June/10	693.58	470.36	377.89
Dec/10	691.99	469.99	380.51
June/11	674.51	459.78	366.26
Dec/11	669.74	468.27	376.95
June/12	692.68	476.11	377.06

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

Source: elaborations on FITD data.

[2] "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.

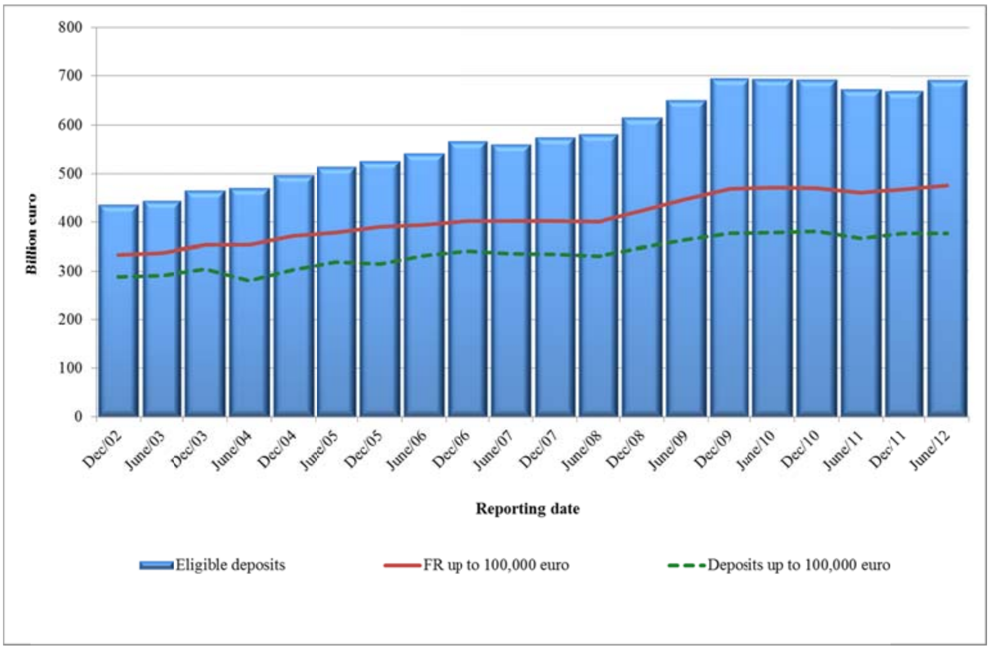
"Reimbursable funds" is the amount of deposits obtained from eligible deposits when applying the level of coverage provided for in the legislation, i.e. the amount reimbursed by FITD in the case of liquidation of a member bank.

"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 2012, total Reimbursable Funds (RF) by FITD amounted to 476.1 billion Euros. This amount, showing an increase of 3.5% compared to the previous year, is the highest level ever reached in the past ten years.

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 Euros in force since 7th May 2011.*

Source: elaborations on FITD data.

In June 2012, RF[3] constitute 68.7% of eligible deposits, while deposits up to the coverage level are 79.2% of FR.

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[3] It is worth noting that among FITD members there are some (19) with a contribution base equal to zero. A derogation of FITD Statutes is applied to them as regards to balance-sheet ratios (specifically, asset quality and profitability profiles and, as from June 2012, liquidity profile too). The reason why such a derogation is provided for is that these banks do not represent any risk to the Fund.

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 2011, December 2011 and June 2012[4].

It is worth noting that a significant discontinuity is recorded between the two 2011 semiannual reports, based on a system composed of 4 ratios determined on a single bank basis, and the report as at June 2012. The latter relies on the new 5 ratios system, where information on a single bank basis are joint with consolidated data for banks belonging to banking groups[5].

Therefore, a comparison between 2011 reports is as follows, while in another table a picture of the level of risk in June 2012 according to the new model is given.

Table 3

Member banks distribution by statutory positions

Statutory Position	June-11			Dec-11		
	Banks	RF	% RF	Banks	RF	% RF
Normal	144	317,668,753,519	69.1%	119	134,634,380,141	28.8%
Attention	48	77,783,026,553	16.9%	49	214,320,293,744	45.8%
Warning	19	27,106,669,093	5.9%	14	36,308,654,774	7.8%
Penalty	43	25,764,805,250	5.6%	55	68,048,032,248	14.5%
Severe Imbalance	6	8,355,598,247	1.8%	7	2,428,353,027	0.5%
Expulsion	5	1,297,624,783	0.3%	9	10,785,219,980	2.3%
Special Administration	6	1,801,933,487	0.4%	4	1,744,097,954	0.4%
Total Banks	**271**	**459,778,410,932**	**100%**	**257**	**468,269,031,868**	**100%**

Source: elaborations on FITD - Bank of Italy data.

[4] To the extent of the present analysis, the number of banks taken into account only considers member 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.

[5] On 20th June 2012 FITD General Meeting approved some amendments to the Statutes, among which the introduction of a new monitoring system based on five ratios on a both individual and consolidated basis. These ratios are referred to as the following profiles: riskiness, solvency, profitability and liquidity. The new system entered into force as from 30th June 2012.

As regard to Table 3, the number of banks rated in low risk (statutory positions: normal and attention) decreased by 24 between June and December 2011, while the weight of RF decreased by 11.4 p.p.. For banks in medium risk (warning and penalty classes) an increase of 7 units was recorded, with an increase of RF equal to 10.8 p.p.. Banks in high risk (severe imbalance and expulsion classes) increased by 5 with an increase of 0.7 p.p. in their RF. Banks in Special Administration decreased by two over the same period of time.

RF increased from 459.8 billion Euros recorded in June 2011 to 468.3 billion Euros as at December 2011.

Table 4 shows the distribution of reporting banks according to the new system of ratios. A redistribution of riskiness from low risk classes to higher risk ones is recorded.

Table 4

Member banks distribution by statutory positions - June 2012 [6]

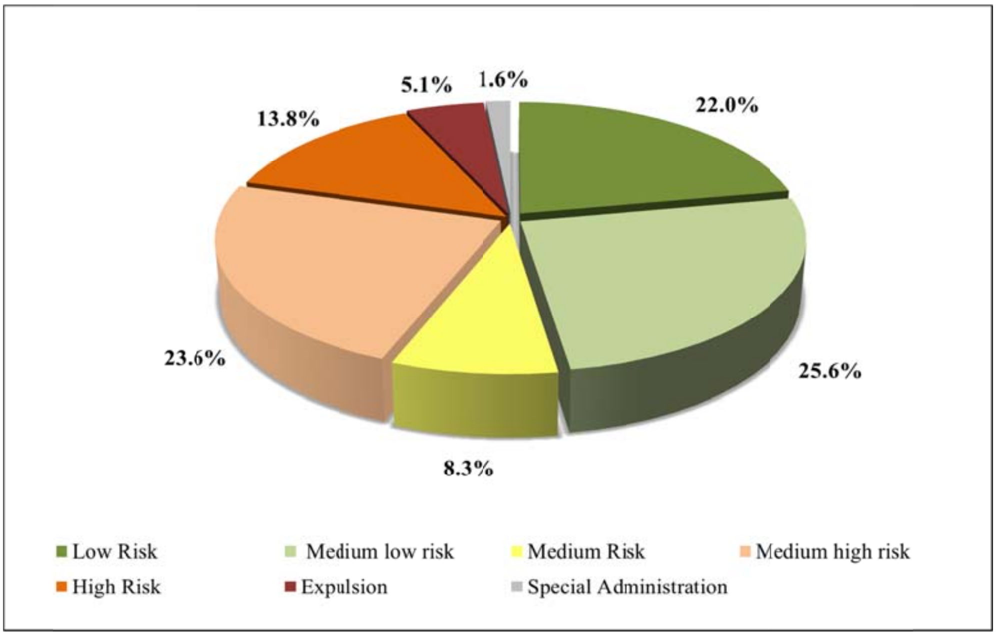
Statutory Position	June-12		
	Banks	**RF**	**% RF**
Low Risk	56	16,835,136,023	3.5%
Medium low risk	65	179,270,502,405	37.7%
Medium Risk	21	25,370,817,291	5.3%
Medium high risk	60	197,204,121,935	41.4%
High Risk	35	43,271,542,836	9.1%
Expulsion	13	11,111,679,892	2.3%
Special Administration	4	3,041,667,245	0.6%
Total Banks	**254**	**476,105,467,627**	**100%**

Source: elaborations on FITD - Bank of Italy data.

Graphs 2 and 3 highlight member banks distribution and RF distribution respectively, as at 30 June 2012.

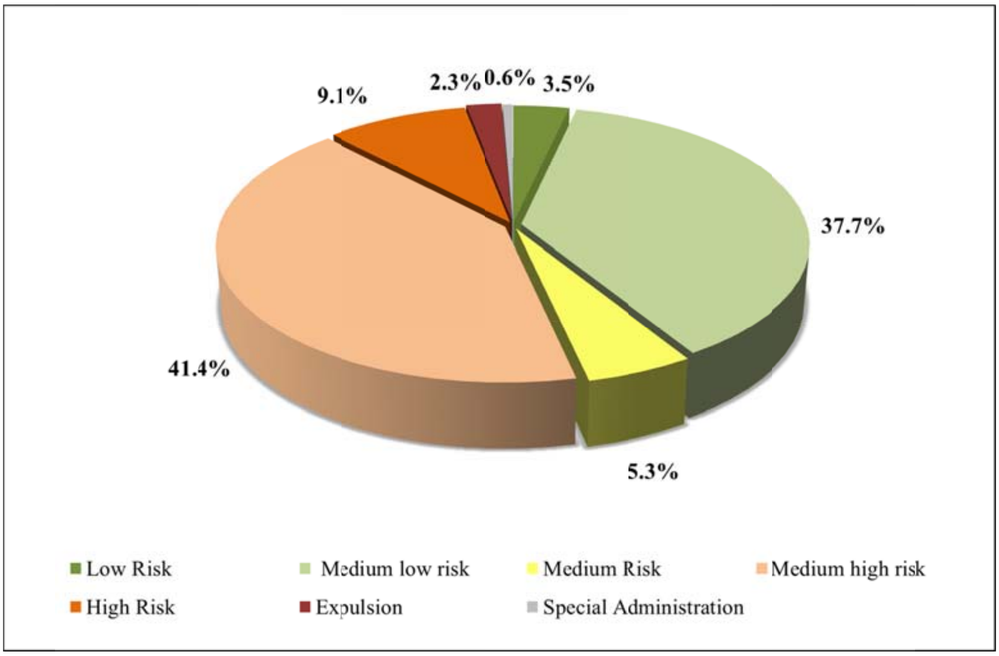
[6] To determine statutory positions, see Article 2 of the Appendix to FITD’s Statutes

Graph 2
Member banks distribution by statutory positions



Source: elaborations on FITD - Bank of Italy data

Graph 3
RF distribution by statutory positions



Source: elaborations on FITD - Bank of Italy data.

The following Table 5 shows the median values[7] of the balance sheet ratios as of June 2011, December 2011 and June 2012 for each reporting bank.

Comparing median values referred to the three reporting dates analysed in this Report, it is worth noting that: ratio A1 *(Bad debts / Supervisory Capital)* increased from 13.08% to 18.01% passing from June 2011 to June 2012, showing a deterioration in the quality of credit during the year; profitability ratio D1 *(Operating expenses / Gross income)* remained substantially unchanged, while D2 *(Loan losses, net of recoveries / Profit before tax)* highlighted an increase in the weight of loan losses over profit before tax (from 29.11% to 37.22%).

As regards to ratio P *(Supervisory capital, including Tier 3- Total Supervisory capital requirements / RWA) and L (Receivables from clients / Payables to clients + circulating bonds + structured payables to clients and bonds at fair value)* added with the Statutory reform approved in June 2012, no comparison is possible with 2011 semi-annual reports as relevant data is not available. The two ratios, as of June 2012 show respectively the following values: 9.41% (solvency profile) and 91.73% (liquidity profile).

Table 5

Indicators median values

Ratios		June-11	Dec-11	June-12
A1	Bad loans / Supervisory capital	13.08%	15.30%	18.01%
P	(Supervisory capital, including tier 3 - Tot. Capital requirements) / RWA	n.d.	n.d.	9.41%
D1	Operating expenses / Gross income	69.86%	70.64%	68.17%
D2	Loan losses, net of recoveries / profit before tax	29.11%	37.26%	37.22%
L	Receivables from clients / Payables to clients + circulating bonds + structured payables to clients and bonds at fair value	n.d.	n.d.	91.73%

Source: elaborations on FITD - Bank of Italy data.

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

Analysis of individual profiles

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

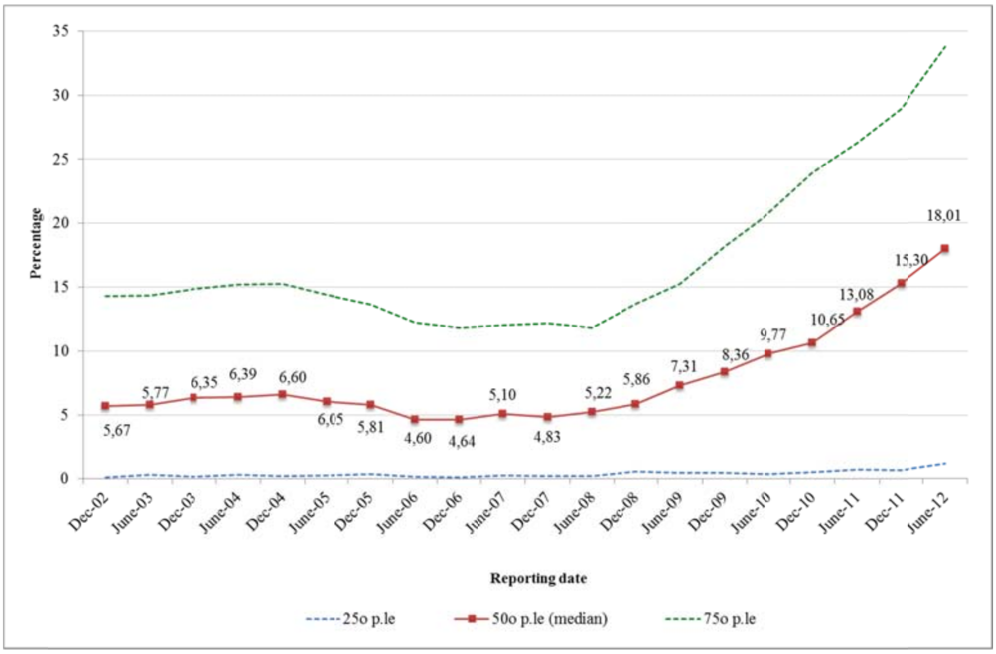
As highlighted, the reporting date of June 2012 shows a discontinuity with respect to the previous ones, due to the introduction of the new ratios. As a result, analysis in this paragraph focuses on risk and profitability profiles on a single bank basis, which are included in both systems, postponing the analysis of new P and L ratios and of consolidated ratios as a time series is not available yet.

Asset Quality

The median value of the A1 indicator *(Bad debts / Supervisory Capital)* was 18.01% as at June 2012, confirming the increasing trend recorded since the first half of 2008 (Graph 4).

Graph 4

A1 performance from December 2001 to December 2011



Source: elaborations on FITD - Bank of Italy data.

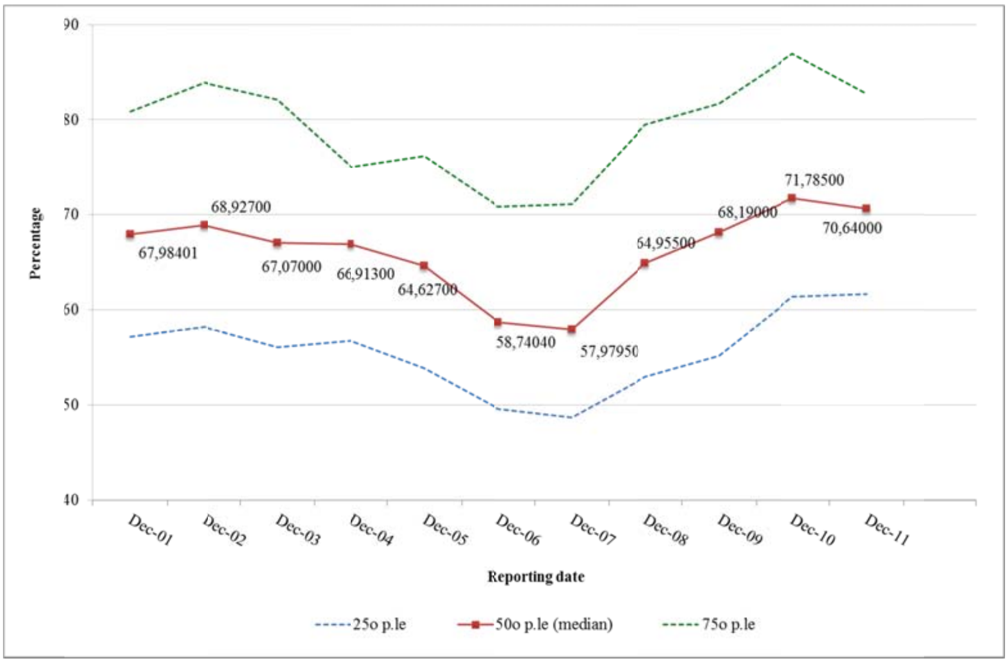
If we give time series the ability to identify economic cycles, it could be argued that A1 does not show any sign yet that the crisis is ending.

Profitability

Graphs 5 and 6 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 (from December 2001 to December 2011)[8].

Graph 5

D1 performance from December 2001 to December 2011

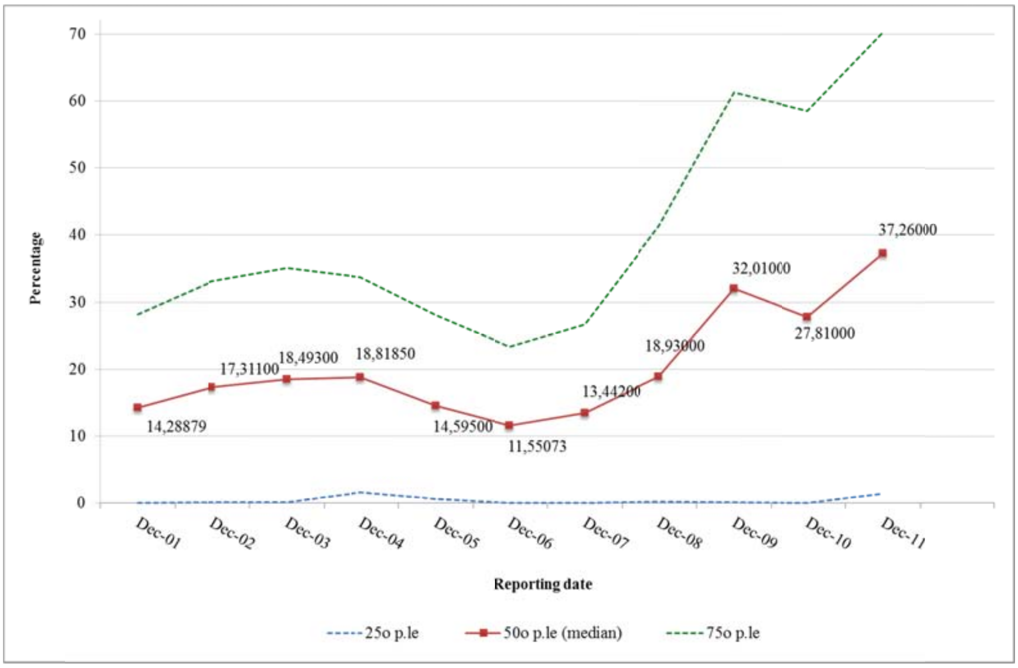


Source: elaborations on FITD - Bank of Italy data.

[8] The choice to show end year data only is due to the fact that some items in the financial statements are entirely recorded as at end December only..

Graph 6

D2 performance from December 2001 to December 2011



Source: elaborations on FITD - Bank of Italy data..

The analysis of the median values of the financial indicators, divided on the basis of economic area, reflects different economic conditions among the three Italian macro areas: North, Centre and South (Table 6)[9].

In June 2012, the banks in the North represented 59.06% of the Consortium, while banks in the Centre and the South were 28.35% and 12.6% respectively. Concerning the distribution of RF, these were 72.3% in the North, 18.57% in the Centre and 9.13% in the South.

The median value of the A1 indicator was 12.02%, for the banks in the North, 22.76% for the banks in the Centre and 24.54% for those in the South.

As regards to ratio P, banks in the North were more capitalised (10.04%) compared both to those in the Centre (9.80%) and in the South (8.51%).

Profitability resulting from D1 was also greater in the North, with a median value equal to 66%, than for the banks in the Centre (70.93%) and in the South (68,12%). Similarly, D2 values were 30.81% for the banks in the North, 49.28% for the banks in the Centre and 45.12% for those in the South.

Table 6

Values by geographical area

AREA	BANKS	RF	A1	P	D1	D2	L
NORTH	150	344,155,879,413	12.02	10.04	66.00	30.81	90.66
CENTRE	72	88,428,695,299	22.76	9.80	70.93	49.28	97.15
SOUTH	32	43,520,892,915	24.54	8.51	68.12	45.12	86.57
ITALY	**254**	**476,105,467,627**	**18.01**	**9.41**	**68.17**	**37.22**	**91.73**

Source: elaborations on FITD - Bank of Italy data.

[9] The distribution of banks in macro areas is based on the bank's legal seat.

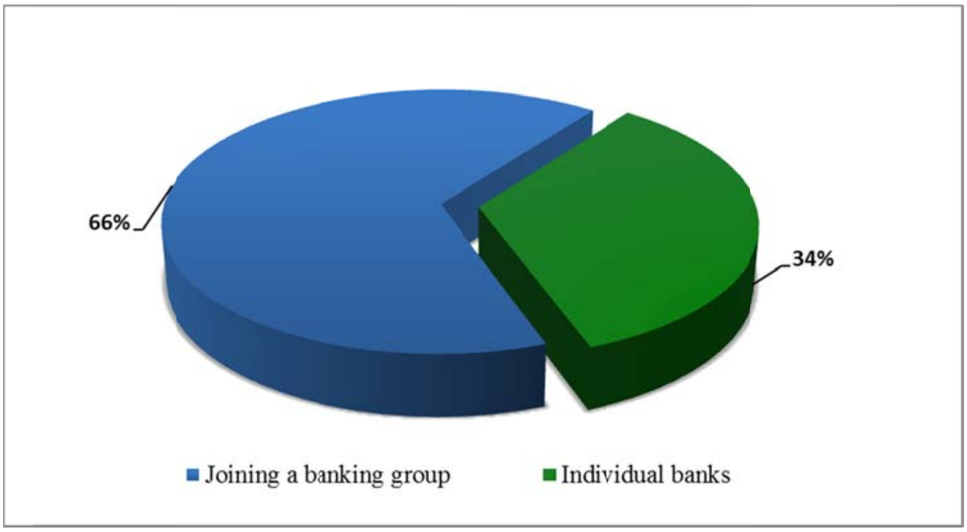
Analysis by banking groups

For the purpose of group analysis, the 254 reporting member banks as at June 2012 are divided into two main parts, depending on whether they are part or not of the 67 banking group listed at present in the official Register managed by the Bank of Italy[10]. Specifically, 167 member banks belong to a banking group; the other 87 are individual banks.

As shown in Graphs 7 and 8, banks joining a banking group represent around 66% of the total number of FITD members and they account for about 96% of the total RF. Individual banks make up around 34% of the consortium and their RF represent slightly less than 4% of the total amount.

Graph 7

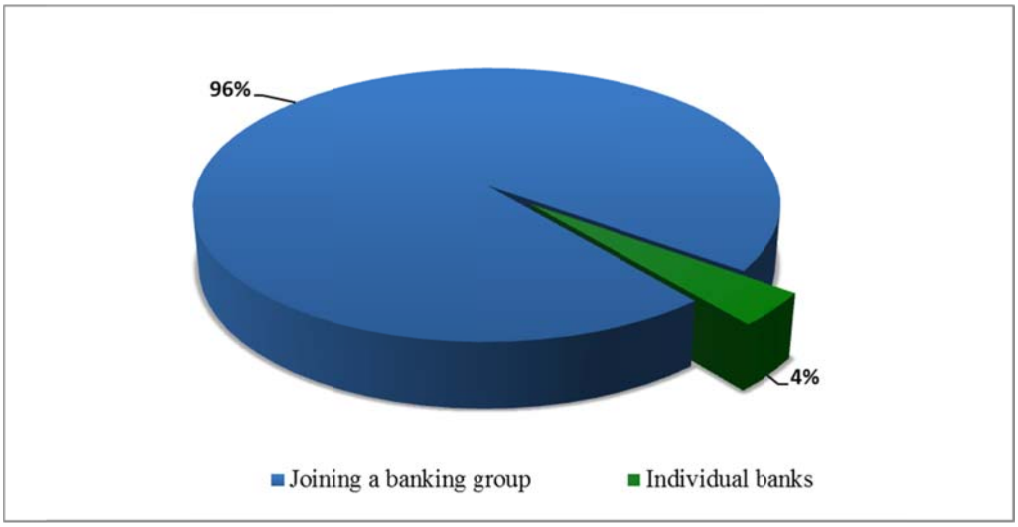
Composition of the Consortium



Source: elaborations on FITD data.

[10] According to the last update as of 30 June 2012, banking groups recorded on the official Register in all are 77, including 10 groups composed of credit cooperative banks which are not considered in this paragraph.

Graph 8
RF Distribution



Source: elaborations on FITD data.

Table 7 gives a comparison among the last three six-month reports. A decrease (-22) in the number of member banks joining a banking group was recorded as a result of intra-group mergers. The percentage over the total shifted from 69.74% to 65.75%, while a reduction of 0.35 p.p. is recorded for RF, which however increased by more than 14 billion Euros in absolute terms.

Over the same period, the percentage of individual banks shifted from 30.26% (June 2011) to 34.25% (June 2012), while pertinent RF increased by 0.35 p.p. up to around 3.96% of the total amount.

Table 7
Composition of the Consortium

Date		Total	Joining a Banking group		Individual banks	
			absolute value	%	absolute value	%
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%
Dec-11	Banks	257	175	68.09%	82	31.91%
	RF	468,269,031,868	451,884,134,282	96.50%	16,384,897,586	3.50%
June-12	Banks	254	167	65.75%	87	34.25%
	RF	476,105,467,627	457,272,302,127	96.04%	18,833,165,500	3.96%

Source: elaborations on FITD data.

FITD activities

Balance-sheet ratios revision

The activities at the offices of the Fund this year, have seen the completion of the revision of the balance sheet ratios, which led to the statuary reforms being approved at the FITD extraordinary meeting on the 20th June 2012. Analysis of the system used to measure the risk of the banks was carried out and aimed at the evaluation of the effectiveness and at the review of the structure which was in place up to December 2011. Data was provided by the Bank of Italy and, with collaboration from technical offices of a group of member banks and, several meetings were organised by the Fund and produced some interesting points to reflect on.

The changes have defined the introduction of a new system for measuring risk, based on five individual and consolidated indicators belonging to the following profiles: asset quality, solvency, liquidity, and profitability. There is also a variation to the terms of the frequency from half yearly to quarterly and the subsequent review of the deadlines of the contribution base. The new system came into force with effect from 30th June 2012. The first application of the new monitoring system was brought forward to the banks in the month of July through a specific communication and subsequently with some in depth meetings organised in Rome on 24th September and 16th October and in Milan on 22nd October 2012. Simultaneously the Fund took action to contact the Bank of Italy for updates and the integration of the database useful for the calculation of the new ratios and also for the review of the memorandum of understanding between the Bank of Italy and the FITD concerning the sending of such data.

In the scope of revising the risk monitoring system, furthermore, in October 2012, an in depth analysis began for the definition and valuation of a comprehensive indicator of banks derivatives risk, to be added to the current indictors of the Fund. The project is supervised by the FITD Board and is coordinated by a scientific committee, headed by the Chairman of the Fund and in collaboration with distinguished professionals and experts in this field. The work will be completed in 2 years.

Documents

Following on from the above mentioned reform, the Fund's offices proceeded to update the handbook published both in Italian and English *"The monitoring system for bank riskiness and risk-based contribution"*, on the basis of the changes to the Fund monitoring system approved at the extraordinary meeting held on 20th June 2012. The offices of the Fund attach great importance to the manual and see it as 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 a national and international level.

During the course of the year number 10 of FITD's Working Papers was published, centred around: *"The treatment of weak banks, prevention and overall management of crises at an EU level"*. The document analyses the development of the EU regulatory framework between 2009-2012, pausing in particular to closely examine the recent directive proposal on bank recovery and resolution.

On this very problem, moreover, the article *"What action is being taken for banks in crisis? The European Draft Directive*, was published in n. 2/2013 of the review "Bancaria".

Two additional lines of research looked on one hand, at the consideration of a model for forecasting the rescue of European Banks and, on the other, at the legislative framework concerning the institutes of payment. With reference to the second issue, the research concerning the institutes of payment analysed the role and function of this new group of subjects, which work alongside banks and electronic money institutes in providing payment services. Specifically, the EU framework on payment institutes was examined as well as its implementation in Italy, and the other main European countries, with the scope of establishing differences in authorisation and supervisory competencies. The article *"Problems concerning the new financial instrument represented by the institute of payments"* was published in n. 3/2012 of the review "Il Diritto dell'Economia".

In the last part of the year, a research project was started and it is centred around the various criteria to rank depositors in the creditors' hierarchy where insolvency proceedings involve a bank licensed in a European Union Member State. The issue of depositor preference will be analysed in light of recent legislative reforms at an EU level, relating in particular to bank recovery and resolution. The first part of the research has been completed and was substantiated by the collection of information on the characteristics of the existing depositors preference regimes, through a short questionnaire that was circulated between the deposit guarantee schemes adhering to the '*European Forum of Deposit Insurers* (EFDI). The study will be completed within the first few months of 2013.

Following completion of the group of research projects mentioned, other important subjects, connected to the current EU legislative drafts will be analysed. One specifically refers to the banking union and one to the calculation of risk based contribution to deposit guarantee schemes.

Other Activities

The new aforementioned statutory reforms launched in June 2012, have made it necessary to proceed with appropriate compliance of internal systems of processing data and for the calculation of balance sheet ratios. Additionally, the review of the web interface communication with the banks, which was introduced in 2011 (Web Sacc), was updated to collect quarterly statutory reports.

It was equally provided an update of the half yearly glossary of the individual indicators, alongside the introduction of the glossaries relative to both half yearly consolidated ratios and to quarterly individual indicators. The three documents are in alignment with the Bank of Italy's supervisory regulation.

The first report of the new system was in June 2012, for the half yearly individual and consolidated indicators, while both the quarterly contribution base and ratios were sent on 30th September 2012. With the different periods of reports there is a distinct source of information: the half yearly indicators refer to the months June and December and are communicated to the Fund by the Bank of Italy based on their memorandum of understanding, while the quarterly ratios for September and March are reported directly by the banks along with the contribution base at the same date of reporting.

Amendments to Directive 94/19/EC

With reference to the process of revision, we are reminded that the directive 2009/14/CE amended directive 94/19/CE on the deposit guarantee schemes (DGS) as regards to the coverage level and the pay-out delay and was acknowledged in Italy under legislative decree number 49 of 24 March 2011, amending article 96-bis of the Italian Banking Law (legislative decree n. 385/93). These amendments, have a direct effect on the function of the Fund and relate to the level of coverage of 100.000 Euros and the pay-out within twenty working days effective from the date of the commencement of the insolvency of the bank. With the statuary reforms of the 20th June 2012, these regulations were formally introduced within the Fund Statutes, although they were already fully operative in accordance with the inception of the decree (7th May 2011).

The review process of the Directive 94/19/CE on DGS is still in progress, and the legislative proposal (published on 12th July 2010) is on its second reading by the European Parliament. Work was stalled because of recent publications on the part of the European Commission of the legislative proposals for bank recovery and resolution (6th June 2012) and the single supervisory mechanism - SSM (12th September 2012). At the last meeting on the 13-14th December 2012, the European Council urged that Parliament and the Commission would reach an agreement in the first half of 2013 on the proposed directives relating to both DGS and bank recovery and resolution, which the EU member states will implement with high urgency. Instead, as far as the SSM is concerned, the schedule is shorter and should reach approval at European Parliament in February 2013.

Following the approval of the directive on DGS, the offices of the Fund will evaluate the impact of the eventual changes to the Statutes to formulate the relative amendments on the basis of the decisions made.

International Relations

Since the beginning of the year, the offices of the Fund have consolidated international collaboration on a number of different subjects.

In light of this action it has resulted in meetings held, organised and supported by FITD.

The first collaboration was on 10th February 2012 on the subject *"Banks stability, Sovereign risk and ongoing regulatory regimes"*, with the participation of the European Commission and its research centre (Joint Research Centre - JRC), of the Bank of Italy and OCSE. The second International meeting took place on the 14th May 2012, when a delegate from the IMF visited the Fund to evaluate the system. The third occasion was with the participation and support of FITD at the *'International Risk Management Conference* (18-19th June 2012) held at University Lateranense of Rome, where, among the many prestigious guests, there was also the Nobel prize winner for Economic Science Prof. Robert Engle. Finally, on the 20th December 2012 the Fund hosted a meeting of the Research group for EFDI, concentrated on the subjects linked to risk based contributions and stress testing.

During the course of the year some representatives from other deposit guarantee schemes have also been guests of the Fund . The meetings were occasions to deepen reciprocal knowledge of working practises and to exchange experiences on deposit systems.

New interventions in 2012

Banca Network Investimenti: the bank was placed in compulsory administrative liquidation by the decree of the Ministry of Finance issue on 16 July 2012. The intervention is the first application of the reduced payout timeframe (from 3 months to 20 working days) provided for by the legislative decree n. 49 of 24th March 2011, implementing directive 2009/14/EC. Therefore, the chronology detailed below was applied, given the absence of any mandatory procedure.

Liquidators, after having taken office on 19th July 2012, on 26th July 2012 communicated the final sum of the payout in the amount of 73,887,244 Euros. In order to comply with the payout timeframe (20 working days), the Fund acted following the decision taken by the Executive Committee on 20th June 2012, which had given the Chairman an open mandate. In the meanwhile, new technical procedures of payout were identified and applied. The overall amount of the intervention was 73,970,213 Euros.

The strong collaboration with a major Italian banking group, the liquidators and the Fund allowed the latter to identify and apply a payout procedure based on a communication to depositors, which in legal terms is comparable to a “commitment to pay and recognition of debt” as per Article 1988 of the Italian Civil Code. Through this method the risk of bank drafts fraudulent collection was minimized.

Past interventions

Over the course of 2012 the Fund continued to manage a number of past interventions still outstanding, in order to reach, in agreement with the liquidators, 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:

Banco di Tricesimo: the Compulsory Administrative Liquidation of the bank, as provided by the Decree of the Treasury Minister on 4/10/1990, was closed on 27/6/2007. Settled the two outstanding controversies, only a claim concerning IVA in the amount of 27 thousand Euros is still unsettled. The Fund has appointed the former liquidator to collect this residual claim, empowering and binding him to transfer to the Fund, as the only remaining creditor of the procedure, the amount collected once the tax offices had paid it.

Banca di Girgenti: 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 were not positive and actions were taken to recover the amounts paid at the time of the intervention.

Cassa di Risparmio di Prato: 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. Legal expenses still remain to be settled.

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 Euros. 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 action to recover the amount paid. On 21/09/2012 a deed of assignment was stipulated to transfer claims and actions for responsibility and for recovery against the past managers, auditors and the chief executive of Banca Popolare Valle d'Itria e Magna Grecia in compulsory administrative liquidation. Briefly, the deed of assignment provides for the transfer of the actions for responsibility and for recovery to an Italian banking group, which immediately undertakes to step in the trials concerning the transferred claims and obtain (also as per Article 1381 of the Italian Civil Code) the exclusion of the liquidation procedure from the same trials, at its care and expenses as per Article 92, paragraph 9 of the Banking Law. Due to FITD support intervention, transferee bank undertook to give back to the Fund any possible amount recovered from the liquidation procedure, up to the total amount paid by the Fund.

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 Euros.

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 Euros.

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 Euros 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 Euros.

On the commitment for intervention for the 2012 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 2011 and equal to 1,881,034,867.86 Euros.

On the commitment for intervention for the 2013 financial year, the resources for interventions, calculated on the basis of the total reimbursable funds as of 30 June 2012 (476,105,467,627 Euros), are 1,904,421,870.51 Euros.

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 2012 are compared with those of 31 December 2011.

In both financial statements, amounts are in Euro unit, with no decimals, as per Article 2423, paragraph five of the Civil Code.

The Income Statement for the year 2012 shows a balance before tax but after tax it shows a loss of €65,793.00, 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 2012 is €46,155.00, with an increase of €15,630.00 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 2012 was €5,276.00. During the year an increase of €29,820.00 and ordinary amortisation quotas of €20,186.00 were recorded. The net accounting value as of 31 December 2012 is €14,910.00, showing an increase of €9,634.00 compared to 2011.

Net of amortisation reserve, the tangible fixed assets is entered in the financial statements' assets in the overall amount of €31,245.00, with an increase of €5,996.00 compared to the 2011 financial year.

In particular:

- Equipment and plant: the net accounting value as of 1 January 2012 was €256,635.00, unchanged from the previous year. Ordinary amortisation quota amounting to €1,301.00 was recorded during the year, to increase the relevant fund, recording the overall amount of €254,092.00 and a net value as of 31 December 2012 of €2,543.00, with a decrease of €1,301.00 compared to 2011;

- Furniture and furnishing (other goods): the overall net amount as of 1 January 2012 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 2012 is € 0,00;

- Electronic and electro mechanic machines (other goods): the net accounting value as of 1 January 2012 was €629,140.00. Increases during the year in the amount of €15,481.00 and ordinary amortisation quotas of €8,184.00, to increase the relevant fund totaling €615,919.00, were recorded. The net amount as of 31 December 2012 is €28,702.00, showing an increase of €7,297.00 compared to 2011;

- Assets with a value less than 516.46 Euros (other goods): it includes items purchased during the year for an overall amount of €4,016.00, totally capitalised and 100% amortised through the relevant amortisation fund. The net value at the end of 2012 is €0.00.

Investments amounts to €0.00 as in past financial years.

Advances to suppliers, recorded among **Inventories**, are €47,218.00, with an increase of €43,480.00 compared to the 2011 financial statements. The item includes a receivable of €41,152.00 from ITESA S.p.A, which locates the seat, resulting from changes in the taxability regime of the lease as regards to IVA, as per D.L. 83/2012 converted into law n. 134/2012, Art.10, paragraph 1, n.8, amending D.P.R. 633/1972.

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 €92,846.00 and includes €82,500.00 corresponding to the balance of the contributions by Members for operating expenses in 2012 which are still to be paid.

Receivables from Members, payable over 12 months, amounts to €188,506.00. The item is composed as follows: (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) €92,332.00 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; (iv) €2,548.00 for professional services of Studio Merusi with respect to the intervention in favour of Banca Network Investimenti; €3,146.00 for professional services of Studio Merusi with respect to Banca Popolare di Garanzia in lca.

The total amount of Receivables is €281,352.00, showing an increase of €59,308.00 compared to the previous financial year.

The Receivables from the Tax Authorities considered recoverable within 12 months show an amount of €67,953.00. The item is composed as follows: (i) advances from IRAP amounting to €47,746.00 and advances from IRES in the amount of €16,219.00 paid in 2012; (ii) advances from substitute tax on TFR revaluation amounting to €35.00 and, (iii) advance withholdings on bank interest income in the amount of €3,953.00.

Total receivables for advance taxes is €939.00, composed of IRES (€926.00) and IRAP (€13.00).

Receivables from other parties, considered recoverable within 12 months, amounts to €11,768.00 and consists of a claim from FMR - Art'è S.p.A. following a request of refund of expenses for the seat management paid in advance on their behalf in 2012.

Total receivables is €361,199.00, with an increase of €19,785.00 compared to the 2011 financial statements.

Cash and equivalent, listed at nominal value, is equal to €757,184.00, showing a decrease of €42,160.00 compared to the previous year.

The total amount consists of (i) bank deposits having a credit balance of €746,879.00 and cash in the amount of €10,305.00.

Current assets presents a total of €1,166,414.00 with an increase of €21,918.00 compared to the amount recorded in 2011, which was €1,144,496.00).

In compliance with the principle of accrual basis accounting, **Prepaid expenses** is recorded in the amount of €43,363.00, showing an increase of €23,512.00 compared to 2011.

Total Assets is equal to €1,255,931.00, recording an increase of €61,058.00 compared to the previous financial year.

Under the **Net asset value**, the Consortium fund amounts to €439,917.00 and the loss for the 2012 financial year is €65.793.00. The overall amount is therefore €374,124.00, recording an increase of €586.00 compared to the previous year, as a result of a decrease in the loss for the 2012 financial year.

As provided for by the last General Assembly, held on 24 April 2012, the loss for the 2011 financial year in the amount of €66,379.00, has been settled writing off both a surplus of contributions for operating expenses recorded in 2011 (€238,444.00).

Provisions for Risk and Charges amounts to €120,000.00 and are recorded in the item Other as a result of a precautionary depreciation made for a labour case brought by a former employee. Compared to the previous financial statement, the item shows a decrease equal to €858.00.

The **Staff Severance Fund** is listed under the Balance Sheet - Liabilities in the amount of €1,559.00. it is worth noting that the amounts for social contributions matured for employees have been paid yearly into an Open Pension Fund since 2000; the amount showed in the financial statements reflects 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 2012 on the account n. 59990 (account for interventions) held at Banca Nazionale del Lavoro.

Payables to suppliers within 12 months are €203,834.00, showing an increase of €95,530.00 compared to 2011.

Tax Payables within 12 months amounts to €148,878.00 and is composed as follows: (i) €59,582.00 for advance withholdings approved for third parties; (ii) €22,564.00 refer to fiscal withholdings on employees' salaries and wages; (iii) €6,299.00 for tax payables referred to IRES; and, (iv) €60,433.00 for tax payables referred to IRAP. Compared to 2011, an increase of €84.00 is recorded.

Payables to social security institutions within 12 months demonstrates a total of €81,621.00, with an increase of €8,093.00 compared to 2011. The item consists of: (i) €30,865.00 is for INPS contributions to be paid for salaries and wages paid in December 2012; (ii) €5,856.00 is for INPS contributions pursuant to legislation n. 335/95 for payment to third parties in December 2012; (iii) €145.00 is for INAIL contributions to be paid for payments to third parties during the year; (iv) €44,755.00 concerns the voluntary and corporate reserves for the Open Pension Fund calculated on salaries and wages paid in November and December 2012.

Other Payables considered recoverable within 12 months, amounts to €270,799.00, with a decrease of €42,378.00 compared to the previous year financial statements.

This item is composed as follows: (i) €185,807.00, is the balance of contributions for 2012 operating expenses, withheld by the Fund to partially settle the loss for the financial year; (ii) €45,607.00 00 is for bonuses and December extraordinary wages to be paid to employees; (iii) €19,787.00 is for wages paid in the fourth quarter of 2012 to employees of Unicredit S.p.A., who have been working at the Fund; (iv) €4,948.00 is for credit cards statement of account in December; (v) €14,384.00 includes insurance premium for employees and FITD seat; and, (vi) €267.00 is for the monthly bill of newspapers bought in December 2012.

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 €760,248.00, with an increase of €61,330.00 compared to the 2011 financial year.

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

Total liabilities is equal to €1,255,931.00, recording an increase of €61,058.00 compared to 2011.

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	€	3,190,967.00
B) Production costs	€	3,212,096.00
A-B) Difference between production value and costs	€	-21,129.00
C) Financial management	€	19,697.00
D) Value adjustments to financial assets	€	0.00
E) Extraordinary management	€	1,432.00
Net profit before taxes	€	0,00
22) Taxes for the period	€	65,793.00
23) Profit (loss) for the period	€	(65,793.00)

Production value, equal to €3,190,967.00, consists of members' contributions of €3,179,193.00 and other revenue and income in the amount of €11,774.00. an increase of €143,014.00 is recorded compared to the production value in 2011.

Production costs amounts to €3,212,096.00; the item shows an increase of €164,389.00 compared to the previous year and is composed as follows: costs for primary, subsidiary and convenience products; costs for services; costs for goods referred to third parties; costs for personnel; amortisation; reserve for risks and charges; and various management charges.

<u>Costs for primary, subsidiary and convenience products</u> (item 6) amounts to €21,725.00, showing a decrease compared to the amount of €14,718.00 recorded in 2011. The item consists of: (i) goods less than 516.46 Euros (€4,016.00); (ii) cleaning products (€961.00); stationery articles (€9,010.00); fuel and oil expenses (€7,738.00).

<u>Costs for services</u> (item 7) demonstrates a balance of €1,488,645.00, with an increase of €164,074.00 compared to 2011.

The item includes the following charges:

Maintenance of furniture, machines and equipment	€	8,479.00
Maintenance and updating of the computer system	€	3,128.00
Electrical energy expenses	€	43,503.00
Telephone expenses	€	21,423.00
Mobile phones expenses	€	24,118.00
Postal expenses	€	3,686.00
Meal vouchers for employees	€	11,638.00
Compensation for consultants	€	477,177.00
Professional loans (technical advice)	€	26,371.00
Contributions to INPS L. 335/95	€	40,206.00
Business Travel	€	3.272.00
Business overnight stays	€	1,428.00
Training expenses for employees	€	6,171.00
Refunds to employees	€	1,237.00
Foreign and institutional relations	€	24,453.00
Expenses for/on behalf of OO.CC.	€	16,987.00
Legal and notarial expenses	€	39,327.00
Insurance expenses	€	13,733.00
National and international associative fees	€	22,752.00
Entertainment expenses	€	19,089.00
Refunds to consultants	€	28,554.00
Expenses for bank charges	€	6,260.00
Compensation to managers	€	556,624.00
Compensation to Auditors	€	71,499.00
INAIL contributions (contract work)	€	97.00

Management of motor vehicles	€	1,756.00
Expenses for extra-condominal cleaning services	€	4,142.00
Transports and taxies	€	11,535.00

The item <u>Compensation to managers</u> shows a total amount of €556,624.00 and consists of: (i) €394,372.00 relates to compensation to the Committee members; and, (ii) €162,251.00 is for compensation to the Board members.

Item (8), <u>costs for goods referred to third parties</u> demonstrates an overall amount of €657,495.00, with a decrease of €770.00 compared to the amount recorded in 2011:

Rent of premises	€	464,639.00
Leasing for tangible assets and plants	€	11,277.00
Leasing for the computer system	€	85,197.00
Expenses for managing seat	€	78,694.00
Car leasing	€	17,688.00

<u>Costs for personnel</u> (item 9) amounts to charges of €955,890.00, with a decrease of €19,763.00 compared to 2011. The item includes the following charges:

Wages and salaries	€	614,465.00
Social security contributions (INPS)	€	146,395.00
Staff severance fund	€	40,750.00
Contributions to the Open Pension Fund	€	22,367.00
Insurance policies	€	30,927.00
INAIL contributions	€	2,764.00
Additional staff costs	€	98,222.00

As of 31 December 2012 there were 11 employees at FITD: four were office and clerical workers and seven were managers.

Amortisations are listed in item 10 in the total amount of €29,672.00. An increase of €11,150.00 is recorded, compared to the 2011 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 €20,186.00 showing an increase compared to the amount of €8.345,00 recorded in 2011.
- letter b) Amortisation of tangible assets in the overall amount of €9,486.00, with a decrease of €691.00 compared to 2011. The item consists of the amortisation quotas for: (i) equipment and various plants (€1,302.00) and office electric and electromechanical machines (€ 8,184.00).

Various Management charges in item 14 shows a total amount of €58,669.00 as at 31 December 2012, with an increase of €2,691.00 compared to the 2011 financial year. The item includes the following charges:

Books, magazine and newspapers	€	9,451.00
Stamp duties	€	299,00
Register tax	€	2,164.00
Garbage collection tax	€	17,954.00
City council licenses	€	1,704.00
Other taxes	€	6,733.00
Fine and pecuniary sanctions	€	1,270.00
General expenses	€	9,066.00
Publications and press	€	10,023.00
Rounding up	€	5.00

The **difference between production value and costs** is a negative sum of €21,129.00, showing an increase of €21,375.00 compared to 2011.

Financial income and charges, is composed of: (i) €19,766.00 is recorded in item 16) letter d) of the financial statements, as other financial income consisting of interest accrued on bank accounts; (ii) item 17) letter d) lists Interest and other financial charges to third parties in the total amount of €3.00 as passive interests on taxes; (iii) item 17-bis) as regards to Income and charges on exchange rates, shows a negative sum of €65.00 for purchases and sales of currencies for cash in hand for employees on missions abroad. The overall amount of Financial income and charges is €19,697.00, showing an increase of €9,360.00 compared to the amount recorded in 2011.

Extraordinary Income and charges consists of: Contingent assets for €2,200.00 recorded in item 20, Contingent liabilities in the amount of €768.00 listed in item 21. The overall amount of Extraordinary Income and charges shows a positive figure of €1,432.00, with an increase of €12,016.00 compared to 2011.

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), in particular in compliance with Article 2, paragraph 1 of the Legislative Decree n. 201/2011, transposed into law n. 214 of 22/12/2011 concerning the deducibility from IRES of the IRAP amount referred to the costs for personnel.

By applying these regulations, total charges for taxes is registered in the amount of €65,793.00:

a) Current taxes (IRES)	€	6,299.00
a) Current taxes (IRAP)	€	60,433.00
Total current taxes	€	66,732.00
b) Deferred taxes (IRES)	€	- 926.00
b) Deferred taxes (IRAP)	€	- 13.00
Total deferred taxes	€	- 939.00

Item (23), **Income (loss) for the period**, shows a loss for the period amounting to €65,793.00 , which corresponds to the tax charge. The loss for the 2012 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 2012 (€85,807.00).

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 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 2012 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 2011;

– 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 31 December 2012 is as follows:

BALANCE SHEET

Total Assets			€	1,255,932
Consortium Fund	€	439,917		
Loss for the period	€	-65,793		
Total Net Asset Value			€	374,125
Total Liabilities	\		€	881,807
Total liabilities and Total Net Asset Value			€	1,255,932

INTERIM ACCOUNTS

I - Management of interventions		
A) Commitments for interventions	€	1,839,113,707
B.1) *Commitments for deliberated interventions not paid out*	€	*-956,000*
B.2) *Commitments for deliberated interventions paid out*	€	*-73,970,213*
C) Commitments for interventions to be deliberated	€	1,764,187,494

FINANCIAL STATEMENT

Value of production	€	3,190,967
Total costs of production	€	3,212,096
Difference between production value and costs	€	-21,129
Total financial income and charges	€	19,698
Total extraordinary items	€	1,431
Net profit before taxes	€	0
Income taxes for the period	€	-65,793
Profit (loss) for the period	€	-65,793

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;
- the amount shown in the financial statements as regards to the staff severance fund results from the sum of any ISTAT reassessment calculated yearly in favour of employees since 31 December 1999;
- the fiscal charge of the Income statement was calculated observing the fiscal provisions in force. Furthermore, calculation and separate highlighting of advance taxes were carried out; no deferred taxes are recorded;
- 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 € 65,793.00 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 (€ 65,793.00) coincides with the taxes on the income for the 2012 financial year;

Payables to the Tax Authorities amounts to € 148,878.00, 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 24 April 2012, the loss shown in the financial statements, equal to € 66,379.00, was settled with the surplus balance of members' contributions for operative expenses as of the end of the previous year (€ 238,440.00).

Contributions for operative expenses, still to be collected from members, amounted to € 82.,500.00.

The calculation of interventions resources for 2012, 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 € 1,839,113.707.00 , corresponding to 0.4% of total reimbursable funds. Given the amount of the current commitments, which amount is equal to € 74,926,213.00, as at 31 December 2012, the remaining amount of commitments for interventions to be deliberated is € 1,764,187,494.00.

As a result of what is stated above, the Board of Auditors expresses its favourable opinion on the approval of the 2012 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.

A special thanks goes to the former chairman of the Executive Committee Mr. Giovanni Salsi for his precious work.

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	
Prof. M. Comoli	Dr. F. Passadore	Dr. N. Plattner

Balance sheet

Balance sheet as at 31/12/2012

Balance Sheet - Assets	31/12/2012	31/12/2011
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	14,910	5,276
5) Goodwill		
6) Fixed assets under development and advances		
7) Others		
	14,910	5,276
II. Tangible Assets		
1) Land and buildings		
2) Plant and equipment	2,543	3,844
3) Industrial and commercial equipment		
4) Others	28,702	21,405
5) Fixed assets under construction and advances		
	31,245	25,249
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		**46,155**	**30,525**

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		47,218	3,738
		47,218	3,738
II. Receivables			
1) From clients			
- within 12 months	92,846		49,000
- over 12 months	188,506		173,044
		281,352	222,044
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	67,953		103,045
- over 12 months			
		67,953	103,045
4-ter) Advance taxes			
- within 12 months	939		1,281
- over 12 months			
		939	1,281
5) Due from others			
- within 12 months	11,768		15,044
- over 12 months			
		11,768	15,044
		362,012	341,414

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		746,879	793,126
	2) Checks			
	3) Cash on-hand and valuables		10,305	6,218
			757,184	799,344
Total Current Assets			**1,166,414**	**1,144,496**
D) Accrued income and prepaid expenses				
	- Discount on loans			
	- others	43,363		19,851
			43,363	19,851
Total assets			**1,255,932**	**1,194,872**

Balance Sheet - liabilities				31/12/2012	31/12/2011
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	1		(2)
			1		(2)
	VIII. Profit (loss) carried over				
	IX.	*Profit for the period*			
	IX.	*Loss for the period*		(65,793)	(66,379)
		Interim dividends			
		Partial cover of losses for the financial year			
Total Equity				**374,125**	**373,536**
B)	**Provisions for risks and charges**				
	1)	Pension and similar costs			
	2)	Provision for taxes and for deferred taxes			858
	3)	Other provisions		120,000	120,000
Total provisions for risks and charges				**120,000**	**120,858**
C)	**Staff Severance Fund**			**1,559**	**1,559**
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		59
		- over 12 months			
				59	59
	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	203,834		108,304
	- over 12 months			
			203,834	108,304
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	148,878		148,794
	- over 12 months			
			148,878	148,794
13)	Payables to social security institutions			
	- within 12 months	81,621		73,528
	- over 12 months			
			81,621	73,528
14)	Other payables			
	- within 12 months	270,799		313,177
	- over 12 months	55,057		55,057
			325,856	368,234
Total payables			**760,248**	**698,919**
E)	**Accrued expenses and deferred income**			
	- Premium on loans			
	- Others			
Total liabilities			**1,255,932**	**1,194,872**

Interim accounts	31/12/2012	31/12/2011
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)	1,839,113,707	1,881,034,868
- Commitment for interventions already deliberated	- 956,000	- 950,000
- Commitment for interventions already paid	- 73,970,213	- 56,321,612
Commitment for interventions to be deliberated	1,764,187,494	1,823,763,256
3) Firm's holdings of third party goods		
4) Other interim accounts		
Total interim accounts	**1,764,187,494**	**1,823,763,256**

Income Statement				**31/12/2012**	**31/12/2011**
A)	**Value of production**				
	1)	*Member quotas*		3,179,193	3,031,556
	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	11,774		16,397
		- contributions to the operating account			
		- contributions to the capital account			
				11,774	16,397
Total value of production				**3,190,967**	**3,047,953**
B)	**Costs of production**				
	6)	*Raw materials, secondary materials and consumables*		21,725	14,718
	7)	*Services*		1,488,645	1,324,571
	8)	*Use of un-owned property*		657,495	658,265
	9)	*Personnel*			
		a) Wages	612,865		612,553
		b) Social security contributions	180,086		175,843
		c) Staff Severance Fund	40,750		39,234
		d) Pension and Similar costs	22,367		25,892
		e) Other personnel charges	99,822		122,131
				955,890	975,653
	10) Amortisations and devaluations				
		a) Amortisation of intangible assets	20,186		8,345
		b) Amortisation of tangible assets	9,486		10,177
		c) Other Amortisations and devaluations			
		d) Write-downs of assets in the current assets and cash equivalent			
				29,672	18,522
	11) Changes in inventory of raw materials, secondary materials and consumables				
	12) Reserve for risks				
	13) Other reserves				
	14) Management charges			58,669	55,978
Total costs of production				**3,212,096**	**3,047,707**
Difference among costs and value of production (A-B)				**(21,129)**	**246**

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	19,766		10,507
			19,766	10,507
			19,766	10,507
	17) Interest and other financial charges			
	- from subsidiary companies			
	- from affiliated companies			
	- from parent companies			
	- from other companies	3		37
			3	37
	17-bis) Foreign exchange gains and losses		(65)	(132)
Total financial income and charges			**19,698**	**10,338**
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	2,200		2,680
	- Differences due to rounding up to Euro unit			
			2,200	2,680

21) Charges:				
- Capital losses from asset disposals				
- Taxes relating to previous financial years				13,158
- Other charges	768			105
- Differences due to rounding up to Euro unit	1			1
		769		13,264
Total extraordinary income and charges		**1,431**		**(10,584)**
Result before taxes		**0**		**0**
22) Income taxes for the financial year				
a) Current taxes	66,731		66,802	
b) Deferred taxes (advanced)			858	
c) Advance Taxes	(939)		(1,281)	
d) income (charges) from compliance with consolidated tax regime/tax transparency				
		65,793		66,379
23) Profit (loss) for the financial year		**(65,793)**		**(66,379)**

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 2002 to June 2012;
- thresholds for the various classes of financial ratios' profiles;
- determination of the Statutory Position.

Median values time series

DATA	INDICATORI DEI PROFILI GESTIONALI *(Valori Mediani)*				
	A1	**P**	**D1**	**D2**	**L**
30/06/2002	5,48	n.d	68,20	8,74	n.d.
31/12/2002	5,67	n.d	68,93	17,31	n.d.
30/06/2003	5,77	n.d	64,98	10,90	n.d.
31/12/2003	6,35	n.d	67,07	18,49	n.d.
30/06/2004	6,39	n.d	65,34	14,05	n.d.
31/12/2004	6,60	n.d	66,91	18,82	n.d.
30/06/2005	6,05	n.d	63,43	10,78	n.d.
31/12/2005	5,81	n.d	64,63	14,60	n.d.
30/06/2006	4,60	n.d	60,31	7,70	n.d.
31/12/2006	4,64	n.d	58,74	11,55	n.d.
30/06/2007	5,10	n.d	54,60	8,48	n.d.
31/12/2007	4,83	n.d	57,98	13,44	n.d.
30/06/2008	5,22	n.d	59,50	14,49	n.d.
31/12/2008	5,86	n.d	64,96	18,93	n.d.
30/06/2009	7,31	n.d	65,03	23,91	n.d.
31/12/2009	8,36	n.d	68,19	32,01	n.d.
30/06/2010	9,77	n.d	70,91	27,19	n.d.
31/12/2010	10,65	n.d	71,79	27,81	n.d.
30/06/2011	13,08	n.d	69,86	29,11	n.d.
31/12/2011	15,30	n.d	70,64	37,26	n.d.
30/06/2012	18,01	9,41	68,17	37,22	91,73

Source: elaborations on FITD - Bank of Italy data.

Thresholds of financial ratios

Ratios	*Classes*				
	Low Risk	Medium/Low Risk	Medium Risk	Medium/High Risk	High risk
	Thresholds and coefficients				
A1 (Non performing loans / Supervisory capital)	**0**	**1**	**2**	**4**	**8**
	0 - 10	10 - 20	20 - 30	30 - 50	> 50
	Thresholds and coefficients				
P (Supervisory capital + tier 3 / Supervisory capital requirements)	**0**	**0,5**	**1**	**2**	**4**
	> 6	3 - 6	2 - 3	1 - 2	< 1
D1 (Operating expences / Gross income)	0 - 60 (or Op. Exp =0)	60 - 70	70 - 80	80 - 90	> 90 (or Op. Exp. < 0)
D2 (Loan Losses (net of recoveries) / Profit before tax)	0 - 20 (or Loan losses =0)	20 - 40	40 - 50	50 - 60	> 60 (or Prof. Bef. Tax < 0)
L ((Receivables from clients / (Debts owed to clients + Circulating bonds + Structured debts securities at FV))	0 - 90	90 - 100	100 - 130	130 - 200	> 200

Source: Article 6 of the Appendix to FITD Statutes.

Statutory Positions

Statutory Positions	
Low Risk	AI from 0 to 3.5
Medium-Low Risk	AI from 3.5 to 6.5
Medium Risk	AI from 6.5 to 8
Medium-High Risk	AI from 8 to 10.5
High Risk	AI from 10.5 to 14.5
Expulsion	AI over 14.5

Note: Upper bounds are included.

Source: Article 2 of the Appendix to FITD Statutes